



**RIPARIAN**  
CAPITAL PARTNERS

# **RIPARIAN WATER FUND**

AUSTRALIAN WHOLESALE INVESTORS

## **INFORMATION MEMORANDUM**

RIPARIAN CAPITAL PARTNERS PTY LIMITED

JULY 2023

CONFIDENTIAL PRIVATE OFFERING MEMORANDUM

# DISCLAIMER

This information memorandum (**IM**) is dated July 2023 and relates to the offer of units (**Offer**) in the Riparian Water Wholesale Feeder Trust (the **RWF Feeder Trust**). This IM supersedes any previous versions and any other documentation, marketing material, representations or statements made in connection with the RWF Feeder Trust.

The RWF Feeder Trust has been established for the purpose of acquiring 100% of the initial issued share capital of RWF Water Company Pty Ltd (**RWF Water Company**). RWF Water Company will in turn use those funds to acquire units in the Riparian Water Fund (Fund) in accordance with its constituent documents.

This document is prepared by Riparian Capital Partners Pty Limited ACN 630 179 752 (**RCP**) as corporate authorised representative of Pinnacle Investment Management Limited ABN 66 109 659 109 AFSL 322140 (**PIML**). RCP will be appointed as investment manager of the Fund as set out in further detail in this IM. The trustee of the Fund who issues this IM and makes the Offer to subscribe for Units will be Pinnacle Fund Services Limited ACN 082 494 362 AFSL 238371 (**Trustee**). No obligation is imposed upon RCP, PIML, the Trustee or any of their respective directors, members, associates or related entities, or any other Person to advise a recipient of any information of which any party becomes aware of or any change to, or error in, the information contained in this IM.

This document is intended for investors, professional advisers and asset consultants only. This IM is not, and does not purport to be, a product disclosure statement under the Corporations Act and has not been lodged with ASIC. This IM is designed to be informative but does not contain all of the information which a prospective investor may require to make an informed investment decision. The information contained in this document does not take into account your investment objectives, financial situation or particular needs. The issuer is not licensed to provide financial product advice. Any persons relying on this information should obtain professional advice before doing so.

This IM has been prepared to the best of the knowledge and belief of RCP. The IM is comprised of statements of intent and opinion (including as identified in relevant footnotes), many of which may or may not be realised or be accurate. Whilst the Trustee and RCP believe the information contained in this communication is reliable, and in the case of statements of intent and opinion, based on reasonable assumptions, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Further, none of the RCP, PIML, the Trustee or any of their respective directors, members, associates or related entities, nor any other Person guarantees the performance of the RWF Feeder Trust or the Fund, the repayment of capital or any particular rate of income or capital return from, or increase in the value of, the Fund's assets.

Subject to any liability which cannot be excluded under the relevant laws, The Trustee and RCP disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. The information is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment.

Any opinions, forecasts or other forward-looking statements reflect the judgment and assumptions of RCP and their representatives on the basis of information at the date of publication. These statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice. Any projections contained in this document are estimates only and may not be realised in the future.

Past performance is for illustrative purposes only and is not indicative of future performance. Unless otherwise specified, all amounts are in Australian Dollars (AUD). The information is not intended for any general distribution or publication and must be retained in a confidential manner. Information contained herein consists of confidential proprietary information constituting the sole property of Trustee and RCP and respecting their investment activities; its use is restricted accordingly. All such information should be maintained in a strictly confidential manner.

Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from the Trustee. Pinnacle and RCP and their associates may have interests in financial products and may receive fees from companies referred to during this communication.



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## SECTION 1

# EXECUTIVE SUMMARY

### OVERVIEW OF THE FUND

The Riparian Water Wholesale Feeder Fund (RWF Feeder Trust) is an Australian unit trust which has been established by Riparian Capital Partners Pty Ltd (RCP) to provide wholesale investors with access to the Riparian Water Fund (the Fund or RWF).

The RWF Feeder Trust has been established to acquire 100% of the issued share capital of RWF Water Company Pty Ltd (RWF Water Company) which will acquire units in the Fund in accordance with its constituent documents.

Neither the RWF Feeder Trust nor RWF Water Company are expected to hold any other assets (other than cash) or undertake any other material activities. Consequently, the predominant focus of this IM is the intended operation of the Riparian Water Fund.

The Riparian Water Fund (along with the RWF Feeder Trust and the RWF Water Company) has been established by RCP with the intention of providing investor partners with access to investment opportunities across Australia's globally unique water markets.

The Fund operates a focused water investment strategy, leveraging networks and sector expertise to own and manage a diversified portfolio of Australian water entitlements.

Water entitlements have the potential to generate competitive returns,<sup>1</sup> demonstrate low correlation to traditional asset classes and offer the potential for portfolio diversification.<sup>2</sup> The Fund aims to deliver a balanced and sustainable return to investor partners targeting a net annual return of 10-12% including an average net distribution of 4%-6% per annum over the investment period.<sup>3</sup> Returns of the Fund will be calculated on a pre-tax basis, while returns for investor partners in the RWF Feeder Trust will be calculated on a post-tax basis due to the company tax obligations of the RWF Water Company. Other than differences in relation to tax, the returns to investor partners in the RWF Feeder Trust are expected to substantially mirror the returns of the Fund, with only limited operational costs incurred by either the RWF Feeder Trust or the RWF Water Company. Investors should obtain and rely on their own advice regarding the tax consequences of an investment in the RWF Feeder Trust.

The Fund is open-ended with quarterly investor applications and redemptions at Net Asset Value (NAV), adjusted for buy/sell spread set at 0.50%.<sup>4</sup> The RWF Feeder Trust will operate an application and redemption strategy which mirrors the Fund.

### SPECIALISED FIRM SOLELY FOCUSED ON THE WATER, AGRICULTURE AND FOOD SECTOR

RCP, a specialist water, agriculture and food investment firm, was established with the specific purpose of identifying, acquiring and managing investments across the agricultural sector.

RCP is an independent firm majority owned and controlled by its managing partners and staff. Pinnacle Investment Management Group Limited (ASX: PNI) (Pinnacle), a publicly listed multi-affiliate investment management firm, holds a minority interest in RCP via Pinnacle Investment Management Limited, a wholly owned subsidiary of Pinnacle. As at the 31 March 2023, Pinnacle held equity interests in 15 investment managers that collectively have funds under management of \$89.2 billion.<sup>5</sup> Pinnacle provides affiliated managers with working capital, seed funding, governance framework, investment infrastructure and distribution capabilities.

The Fund is a flagship investment vehicle of RCP. RCP and Pinnacle together with staff have committed more than AUD\$1,500,000 of sponsor capital to the acquisition of Units in the Master Fund which will be invested for a minimum period of 5 years from the date of initial investment.

### EXPERIENCED TEAM WITH A HISTORY IN WATER, AGRICULTURE AND FOOD

The RCP team have more than 100 years of combined agribusiness, finance, commodity trading and asset management experience with an ability to capitalise on a diverse opportunity set encompassing water entitlements, farmland, agricultural infrastructure and agribusinesses. The team worked together prior to the establishment of RCP.

The team has a track record of managing and overseeing investments consistent with the investment strategy of the Fund. Since 2007, the team has been responsible for the investment of more than \$800 million into the agriculture and food sector (inclusive water investments) across varying weather and agri-economic cycles, of which circa \$450 million was direct investments into water entitlements.<sup>6</sup>

RCP is supported by the operational capability of Pinnacle. Pinnacle employs more than 100 staff and has an executive team with more than 110 years combined finance, risk and asset management experience. Pinnacle offers finance, tax, administration, risk, compliance, legal, human resources, IT and distribution services to RCP.

Sections 3 and 4 provide more detail on the RCP and Pinnacle teams.

<sup>1</sup> RCP analysis 2019.

<sup>2</sup> RCP analysis 2019 and Willis Towers Watson, 2012, Investing in Private Markets. Past performance is not indicative of future results which may vary. There can be no guarantee that any particular portfolio of water entitlements will provide benefits as outlined.

<sup>3</sup> The target return is not a forecast or projection of the performance of any particular asset or bundle of assets. It is a statement of the Manager's objective in identifying assets to be acquired with the funds raised under this IM. All figures are in Australian Dollars. Net returns of the Fund are calculated after the deduction of all Fund management fees, performance fees and operating expenses but before the impacts of investors tax. There can be no guarantee that the Fund will achieve target returns. Net returns for investors in the RWF Feeder Trust will be adjusted for tax impacts. Investors should obtain and rely on their own advice regarding the tax consequences of an investment in the RWF Feeder Trust.

<sup>4</sup> All applications and redemptions will incur a fee equal to 0.50% of the total value of Units redeemed. Redemptions that result in or require the liquidation of assets where transactions costs are incurred may incur a further fee equal to the actual costs incurred up to 2.00% of the total value of Units redeemed. These fees will be paid to the Fund (including by the RWF Water Company where relevant).

<sup>5</sup> Pinnacle Investment Management Group Limited, 2023. Pinnacle FUM is calculated at 100% of the FUM managed by Pinnacle affiliates.

<sup>6</sup> Figures include transactions completed in roles prior to the establishment of RCP. Past performance is not indicative of future results which may vary. There can be no guarantee that the track record of RCP's key employees in managing and overseeing investments will be replicated in respect of RCP or the Fund.



## DISCIPLINED INVESTMENT AND ESG PROCESSES

The Fund's investment process is focused on seeking to leverage RCP's networks and capabilities in a niche asset class to deliver long-term sustainable returns.

RCP, within its investment process, utilises proactive regional research and data-based metrics to identify the investable universe, construct the portfolio of target assets (water entitlements) and to guide investment decisions. Strategic investment guidelines have been designed to provide discipline to the construction of the investment portfolio and a balanced return profile.

RCP's expertise positions it to capitalize on an emerging asset class with the potential to demonstrate the following characteristics:<sup>7</sup>

- Mix of current income and capital appreciation;
- Low correlation with traditional asset classes;
- Assets that can provide portfolio diversification;
- Investments backed by physical and tangible assets that are critical to the production of essential goods; and
- Assets less sensitive to economic shocks critical to the production of goods with relatively inelastic demand.

RCP believes that the ability to successfully manage Environmental, Social and Governance (ESG) factors is directly linked with the ability to deliver sustainable returns to investor partners. The investment process incorporates considerations to measure and manage ESG outcomes throughout the water entitlement investment lifecycle.

Sections 5 and 6 provides more details on the investment strategy and investment process including details of Australia's emerging and mature water markets.

## INVESTING INTO AUSTRALIA'S GLOBALLY UNIQUE ASSET CLASS AND MARKETPLACE

The Australian water market is a globally unique marketplace progressively established with the dual objectives of economic efficiency of water use and environmental sustainability. The fundamental reforms that enabled the establishment of Australia's water markets were first initiated in the 1970's and 1980's, followed on by further reforms in the 1990's and 2000's. Water entitlements in which the Fund aims to invest in are globally unique, unbundled from land titles, freely transferable between market participants, exist into perpetuity, regulated and readily valued.

Australia's water markets are now an established and central part of the Australian agriculture sector, they allow the free trade of permanent and temporary water rights, are integral to the efficient and sustainable management of scarce water resources and generate economic benefits estimated to be valued in the hundreds of millions of dollars annually.<sup>8</sup>

## ESSENTIAL REAL ASSETS UNDERPINNED BY LONG-TERM STRUCTURAL TAILWINDS

Population growth, increasing urbanisation and higher per capita incomes are expected to underpin demand for agricultural goods at a time when the increased supply of agricultural goods is challenged by the continued decline in arable land per person,<sup>9</sup> water withdrawals that are expected to outstrip current supply<sup>10</sup> and a significant reduction in sector productivity gains, as reflected by yield gains of major crops.<sup>11</sup>

Global population is expected to reach 9.8 billion in 2050, up from 7.6 billion in 2017.<sup>12</sup> Middle-class consumers in the Asia Pacific region are forecast to account for two-thirds of the world's total population and increase to 3.2 billion by 2030.<sup>13</sup> Geographic proximity in the Asia Pacific, bilateral Free Trade Agreements, productivity levels more than 40% higher than the average productivity levels of global peers<sup>14</sup> and recognition of its competitive agriculture sector<sup>15</sup> provide strong long-term tailwinds for water, agriculture and food investments in Australia.

<sup>7</sup> Past performance is not indicative for future results which may vary. There can be no guarantee that any portfolio of agricultural assets will provide benefits as listed.

<sup>8</sup> Department of Agriculture and Water Resources, History of Australian Water Markets, 2016, accessed on 17 September 2019 at <http://www.agriculture.gov.au/water/markets/history>.

<sup>9</sup> Food and Agriculture Organization of the United Nations, Accessed on the 6 June 2019 at <http://www.fao.org/3/y4252e/y4252e06a.htm>.

<sup>10</sup> Water Resources Group, 2009, Changing our Water Future, accessed on 17 September 2019 at [www.mckinsey.com/](http://www.mckinsey.com/).

<sup>11</sup> Goedde, Horii, Sanghvi 2015, Pursuing the global opportunity in food and agribusiness, accessed on 17 September 2019 at [www.mckinsey.com](http://www.mckinsey.com/).

<sup>12</sup> United Nations, Department of Economics and Social Affairs 2017, World Population Expected to Reach 9.8 billion, accessed on 17 September 2019 at [www.un.org](http://www.un.org).

<sup>13</sup> Australian Trade and Investment Commission 2018, Why Benchmark Report accessed on 17 September 2019 at <https://www.austrade.gov.au/International/Invest/Resources/Benchmark-Report>.

<sup>14</sup> Ibid.

<sup>15</sup> McKinsey & Company, 2015, Pursuing the global opportunity in food and agribusiness, accessed on 17 September 2019 at [www.mckinsey.com/](http://www.mckinsey.com/); Australian Trade and Investment Commission, 2018, Why Benchmark Report, accessed on 17 September 2019 at <https://www.austrade.gov.au/International/Invest/Resources/Benchmark-Report>.



## SECTION 2

# KEY FEATURES

The following information is presented as a summary of the key terms of the RWF Feeder Trust.

<b>RWF Feeder Trust</b>	Riparian Water Wholesale Feeder Trust
<b>Trustee</b>	Pinnacle Fund Services Limited
<b>Investment Structure</b>	The RWF Feeder Trust has been established as an Australian unit trust. Wholesale investors will acquire units in the RWF Feeder Trust which will use those funds to acquire shares in the RWF Water Company (on the basis of one share per unit in the RWF Water Company). The RWF Water Company will then use those funds to acquire Units in the Fund in accordance with the Fund's constituent documents.
<b>Transactions</b>	The RWF Feeder Trust is an open-ended fund providing quarterly subscription and redemption opportunities in accordance with its constituent documents. These opportunities broadly mirror the subscription and redemption mechanisms applicable to the Fund (further details of which are set out below).
<b>Minimum Investor Commitment</b>	The minimum capital commitment is \$50,000. The Trustee reserves the right to accept capital commitments of lesser amounts.
<b>Custodian</b>	Perpetual Corporate Trust Limited
<b>Administrator</b>	Unity Fund Services Pty Ltd

The following information is presented as a summary of the key terms of the Fund. Detailed terms are provided in Sections 10 and 11 of this document.

<b>The Fund</b>	Riparian Water Fund.
<b>Trustee</b>	Pinnacle Fund Services Limited.
<b>Investment Manager</b>	Riparian Capital Partners Pty Limited.
<b>Investment Strategy</b>	The Fund will invest in a diversified portfolio of Australian water entitlements within strategic diversification guidelines.
<b>Target Return<sup>16</sup></b>	Annual return of between 10% and 12% (net of fees) including an average net cash distribution of between 4% and 6% per annum.
<b>Management Fee</b>	1.5% per annum on net asset value (NAV) will be payable to the Investment Manager monthly.
<b>Hurdle Rate</b>	7.0% per annum net of all fees and subject to a high-water mark.
<b>Performance Fee</b>	15.0% of the Fund's outperformance of the Hurdle Rate. The Performance Fee will be paid annually following the completion of Fund year-end audited financials.
<b>Distributions</b>	The Fund will aim to make at least annual distributions of operating profits of the Fund and any excess cash.
<b>Transactions</b>	The Fund will be open-ended providing quarterly subscription and quarterly redemption events. All applications and redemptions will occur at NAV adjusted for the buy/sell spread set at 0.50% and paid to the Fund. Redemptions that result in the liquidation of assets where transactions costs are incurred may be charged an additional amount equal to the actual transaction costs incurred up to a maximum of 2.00% which will be paid to the Fund.
<b>Sponsor and Staff Commitment</b>	Minimum capital commitment of \$1.5 million for a period of 5-years (inclusive of indirect capital commitments received via investment vehicles managed by RCP).
<b>Currency</b>	Australian Dollars (AUD).
<b>Custodian</b>	Perpetual Corporate Trust Limited
<b>Administrator</b>	Unity Fund Services Pty Limited.
<b>Auditor</b>	PricewaterhouseCoopers ('PWC').

<sup>16</sup> The target return is not a forecast or projection of the performance of any particular asset or bundle of assets. It is a statement of the Manager's objective in identifying assets to be acquired with the funds raised under this IM. All returns are AUD denominated, net of fees. There is no guarantee that RCP, the Fund or the RWF Feeder Trust can deliver target returns. Past performance is not indicative of future results, which may vary.



## SECTION 3

# RIPARIAN CAPITAL PARTNERS

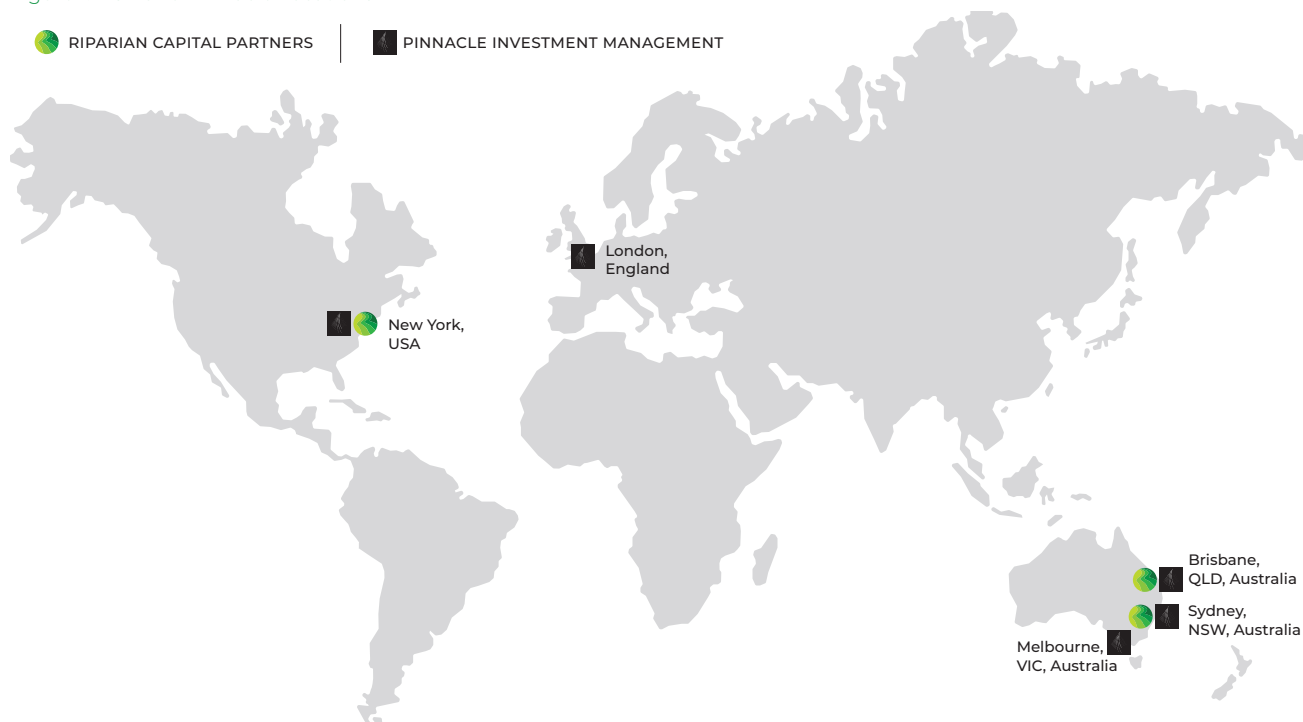
Riparian Capital Partners Pty Limited (RCP) established operations in early 2019. RCP, a specialised water, agriculture and food investment firm, is majority owned and controlled by its staff who hold 60% of the equity and voting rights of the firm. PIML holds a minority interest in RCP.

RCP is registered with the Australian Securities & Investment Commission (Australian Company Number 630 179 752) and is a Corporate Authorised Representative (Australian Financial Services Representative Number 001273948) of PIML under the Australian Financial Services License (AFSL) 322140.

RCP and Pinnacle have locations in Australia, United States and the United Kingdom providing 'global' coverage of investor partners and on the ground investment capability in Australia. Collectively alongside Pinnacle, RCP operations consist of:

- RCP team of 6 staff with more than 100 years of combined experience across agribusiness, finance and asset management;
- Access to the Pinnacle team of more than 100 staff and an executive team with more than 110 years finance, risk and asset management experience; and
- Locations in Australia and the United States.

Figure 1: RCP and Pinnacle Locations



## PINNACLE INVESTMENT MANAGEMENT

Pinnacle is a publicly listed (ASX: PNI) multi-affiliate investment management firm. PIML a subsidiary of Pinnacle holds equity interests in specialist investment managers (affiliates) and provides those managers with working capital, seed funding, governance framework, investment infrastructure and distribution capabilities.

Pinnacle was established in 2006 and holds interests in multiple investment affiliates that collectively manage assets across a diverse range of asset classes.

Pinnacle is listed on the Australian Securities Exchange (ASX) and is governed by the ASX Listing Rules and Australian Securities & Investment Commission (ASIC). PIML is registered and regulated by ASIC and holds an Australian Financial Services License (AFSL) 322140.

## ABOUT THE STRATEGIC PARTNERSHIP

RCP's strategic partnership with Pinnacle was established in early 2019. The partnership offers a combination of focused sector investment management expertise, extensive non-investment operational capability and alignment.

Pinnacle has a track record of supporting the establishment of independent specialised investment firms without taking majority control.

Pinnacle will provide the following services to RCP:

- Investment for working capital and co-investment purposes;
- Strategic advice and support via board representation; and
- Finance, tax, risk, compliance, legal, trustee, administration, human resources, IT and distribution services on an opt-in basis, including in respect of the Fund.<sup>17</sup>

<sup>17</sup> The Shared Services Agreement entered into between Pinnacle and RCP and the Trustee Services Agreement entered into between the Trustee and RCP grant RCP the right to cease using the services provided by Pinnacle and the Trustee in certain circumstances.



## INVESTMENT MANAGER

The Investment Manager, RCP, is an Australian proprietary limited company (Australian Company Number 630 179 752) with a Board consisting of two non-executive directors (appointees of Pinnacle) and three executive directors (the managing partners of RCP). RCP is a corporate authorised representative of PIML under Australian Financial Services License (AFSL) 322140 issued by the Australian Securities and Investment Commission (ASIC). RCP will have overall responsibility for the day-to-day management of the Fund by delegation from the Trustee.

## RISK COMMITTEE

RCP's Risk Committee is established and conducted separately to the Board and its composition includes individuals at various levels and in various functions across the RCP business plus Pinnacle's Chief Risk & Compliance Officer. The primary purpose of the Risk Committee is to assist with the oversight of RCP's risk framework, risk assessment and risk management. Pinnacle Risk & Compliance, along with the RCP Risk Committee seek to ensure RCP is managed in accordance to its obligations, as set out in the RCP Compliance Program.

## INVESTMENT COMMITTEE

RCP's Investment Committee is separate to the Board and its composition includes the RCP management team plus Pinnacle's Chief Financial Officer. An independent committee member is expected to be appointed in time.<sup>18</sup> The Investment Committee establishes and implements investment guidelines and supervises investment activity across all strategies. The responsibilities of the Investment Committee are designed to ensure the Committee is making decisions on investments and dispositions, regularly monitors overall investment results, reviews ESG compliance, reviews compliance with the firm's investment objectives and guidelines, and reports the overall investment results to the Board. The Investment Committee has the sole authority to approve an investment or divestment recommendation to the Trustee of the Fund.

## TRUSTEE OF THE FUND

Pinnacle Fund Services Limited is the trustee of the RWF Feeder Trust and the Fund and is the holder of Australian Financial Services Licence (AFSL) 238371.

A Trustee Services Agreement has been entered into between RCP and Pinnacle Fund Services Limited, pursuant to which Pinnacle Fund Services Limited agrees to act as trustee of the RWF Feeder Trust and the Fund.

The Trustee Services Agreement is subject to typical rights of termination, including for insolvency or material breach of a counterparty. The Trustee also agrees that it will, at the request of the Manager, call a meeting of members for the purposes of considering a resolution to appoint another person as trustee and support the appointment of that other person. Consequently, RCP (with the support of members) may elect to replace the Trustee at its discretion from time to time.

## ADMINISTRATOR OF THE FUND

Unity Fund Services Pty Limited are or will be the administrators of the Fund and the RWF Feeder Trust.

An Administration Agreement has been or will be entered into between Pinnacle Fund Services Limited and One Investment Group appointing Unity Fund Services Pty Limited as the Administrator of the Fund's and the RWF Feeder Trust's investments and One Registry Services Pty Limited as the Fund's and the RWF Feeder Trust's registry services provider.

## CUSTODIAN OF THE FUND

The Trustee has or will appoint an independent custodian to hold the assets of the Fund and the RWF Feeder Trust.

Perpetual Corporate Trust Limited (Perpetual Corporate Trust) is a respected and leading provider of custody services. Perpetual Corporate Trust is a member of the Perpetual Limited group which has provided trustee and custodial services since 1886. Perpetual Limited is an ASX listed company.

The Trustee has or will appoint Perpetual Corporate Trust under a Custody Agreement. The Custodian's role is to hold the assets in its name and act on the direction of the Trustee to effect cash and investment transactions.

Perpetual Corporate Trust has or will have no supervisory role in relation to the operation of the Fund and no liability or responsibility to a unit holder for any act done or omission made in accordance with the Custody Agreement.

Perpetual Corporate Trust's role as Custodian is or will be limited to holding the assets of the Fund and the RWF Feeder Trust.

## AUDITOR OF THE FUND

PricewaterhouseCoopers (PWC) has been retained as the auditor of the Fund and the RWF Feeder Trust.

## AGREEMENTS WITH PIML

PIML holds a minority interest in RCP and provides certain non-investment services to RCP. RCP has entered into a Shared Services Agreement with PIML, as a means to access non-core services from a capable and aligned equity partner. RCP has also entered into a Distribution Services Agreement with PIML, that complements RCP's existing capabilities, to provide coverage of Limited Partners in Australia, Europe and North America. Services provided by Pinnacle are optional and 'opt-in'.

<sup>18</sup> There is no guarantee that RCP will identify an appropriate individual or appoint an external representative.





## SECTION 4

# THE TEAM

RCP is led by its management team whose members are co-founders of the firm and have experience across agribusiness, commodity trading, finance and asset management.

The management team oversees all corporate functions and is responsible, together with the broader Board and the Investment and Risk Committees, for setting and maintaining the investment process and risk management standards across the business. Nominated representatives of Pinnacle, and non-RCP committee members provide additional governance oversight.<sup>19</sup> The Pinnacle executive team, the RCP Board and RCP's committee representatives have more than 150 years of combined finance, risk and asset management experience.

### THE TEAM:

- Consists of a core RCP team located in Australia and the United States who are supported by Pinnacle staff members and independent contractors that together deliver origination, execution, operational capability, strategic management and non-investment services including finance, accounting, tax, administration, risk, compliance, legal, human resources, IT and distribution services.
- Is multi-disciplinary and experienced with capability up and down the agriculture value chain spanning water investments, farmland investments, agribusiness investments, agricultural infrastructure and processing investments.
- Has broad networks with relationships spanning farmers, commodity traders, brokers, agents, advisers, valuers, exporters, asset managers, agricultural co-operatives and bankers which provide strong deal flow.
- Has access to and has invested alongside experienced operating partners that provide extensive domain expertise and knowledge to supplement in-house capability.
- Is targeted and rigorous in its approach implementing investment processes developed from the various frameworks followed by the team across their careers.
- Has experience and capability across non-investment functions including finance, accounting, tax, administration, risk, compliance, legal, human resources, IT and distribution services via dedicated teams at Pinnacle.

## RCP FOUNDING TEAM MEMBER BIOGRAPHIES

### NICK WATERS

Managing Partner

**Executive Director and Chief  
Executive Officer  
Investment Committee  
Member**



Nick is a co-founding partner of RCP and key member of its management team. As CEO, Nick is responsible for the day to day operations of the firm alongside primary responsibility for the water strategy.

Nick is an experienced agriculture and water investment professional with a comprehensive and well-developed understanding of the sector, having grown up on a mixed farm at Narrabri, NSW and being involved with agriculture his entire life. Nick has a unique background having studied Agricultural Science and held senior roles in businesses involved in the trading, marketing and price risk management of a range of agricultural commodities and having successfully managed investments in both water and agriculture for wholesale and institutional partners. Through his involvement across the sector Nick has developed a broad network with relationships spanning farmers, commodity traders, brokers, agents, valuers, agencies, exporters, agricultural co-operatives, advisors and bankers.

#### Prior roles

*Blue Sky Water Partners Pty Limited: Investment Director (Water), 2016-2018*

*Queensland Commodity Services Pty Limited (QCS): Chief Executive Officer, 2013-2016. Mackay Sugar Limited: Marketing Manager, 2011-2013*

*GrainCorp Limited: Commodity Trader, 2009 – 2011*

*Weil Brothers Cotton Inc: General Manager – China Operations, 2007 – 2009*

*Weil Brothers Cotton (Australia) Pty Limited: Marketing Manager, 2003 – 2007*

#### Education/Qualifications

*Member of the Australian Institute of Company Directors.*

*Harvard Agribusiness Program, Boston, 2017*

*Grad. Diploma of Applied Finance and Investment, Securities Institute of Australia, 2005*

*Grad. Diploma of Technical Analysis, Securities Institute of Australia, 2005*

*Bachelor of Agricultural Science, University of Queensland, 2001*

<sup>19</sup> There is no guarantee that the independent committee members will continue to be appointed.



**MICHAEL BLAKENEY**

Managing Partner

 Executive Chair  
 Investment Committee  
 Member


As Executive Chair, Michael is responsible for leading the overall strategy of the firm alongside primary responsibility for the farmland, agricultural infrastructure and agribusiness strategies. With over 20 years direct agricultural management and investment experience, Michael has designed, raised capital for, deployed and managed large-scale agricultural investment portfolios for several institutional investors. Michael is one of the few agribusiness executives in Australia with experience across the full life cycle of agricultural investments. His practical experience across beef cattle, broadacre grains, irrigated crops, water and horticultural tree crops supports his investment experience. Michael has continuing broad and deep relationships across agribusiness networks and is the Chair of the University of Southern Queensland's Centre for Agricultural Engineering research group.

**Prior roles**

*Blue Sky Water Partners Pty Limited: Investment Director, 2014-2018*  
*PrimeAg Australia Limited: General Manager – Agricultural Fund, 2011-2013*  
*Warakirri Agricultural Trusts: Managing Director, 2007 – 2011*  
*BFA Co-op Limited and Australian Certified Organic Pty Limited. Group General Manager 2006-2007.*  
*Centre for Agricultural Engineering, University of Southern Queensland, Chair of Advisory Board, 2013 to present*

**Education/Qualifications**

*Graduate Member of the Australian Institute of Company Directors.*  
*Harvard Agribusiness Program, Boston. 2016*  
*Melbourne University Mergers and Acquisitions Program, Mt Eliza. 2013*  
*Graduate Diploma, Company Directors Course, Australian Institute of Company Directors. 2007*  
*Master of Science: Marketing and Management, Imperial College at Wye, University of London. 2002*  
*Bachelor of Agricultural Economics, University of Queensland, Australia. 1996*

**PATRICK HAYDEN**

Managing Partner

 Executive Director  
 Investment Committee  
 Member  
 Risk Committee Chair


Patrick is a co-founding partner of RCP and a key member of the Management Team. Patrick is primarily responsible for risk management, business development and investor relations for the firm.

Prior to the establishment of RCP, Patrick held various roles in agricultural finance, asset management and corporate agriculture in North America and Australia. Patrick's operational experience spans investment management, strategic planning, business development, risk & compliance and investor relations.

**Prior roles**

*Blue Sky Alternative Investments LLC: Director USA, 2015 – 2019*  
*National Australia Bank Limited: Various Senior Manager roles Australia and USA, 2007 – 2014*  
*Paul Reinhart: Cotton Trade Analyst, 2002-2007*

**Education/Qualifications**

*Master of Business Administration (distinction), University of Oxford, 2014*  
*Master of Economic Studies, University of New England, 2006*  
*Diploma of Financial Services (Financial Markets), Australia Financial Markets Association, 2007*  
*Bachelor of Agribusiness, University of Queensland, 2000*



**MATTHEW HOULAHAN**

Associate Partner

Risk Committee Member



Matthew joined RCP as an Associate Partner in January 2019. Matthew's responsibilities include financial modelling, portfolio management (maintaining of portfolio positions, portfolio reporting) and deal origination of agricultural and water assets.

Prior to joining RCP, Matthew worked in key analytical roles in the agriculture funds management sector with a particular focus on water investment.

Matthew grew up in Moree, NSW, the heart of one of the most productive agricultural regions in Australia.

**Prior roles**

*Blue Sky Water Partners Pty Limited: Investment Associate, 2016 - 2018*

**Education/Qualifications**

*Master of Finance candidate, Queensland University of Technology, 2020*

*Agricultural Commodity Markets, Pricing, and Supply Chain Risk Management certificate, 2016*

*Bachelor of Business (Agribusiness), University of New England, 2015*

*Bachelor of Law, University of New England, 2015, final year completed at the University of Hong Kong*

**BRENT LOESKOW, CFA**

Associate Partner

Risk Committee Member



Brent joined RCP as an Associate Partner in March 2019. Brent's responsibilities include financial modelling, portfolio management (maintaining of portfolio positions, portfolio reporting) and deal origination of agricultural, infrastructure and agribusiness assets.

Prior to joining RCP, Brent worked in key analytical roles in the agriculture funds management and corporate advisory sectors. Brent is also a CFA Charterholder.

Brent grew up in Bundaberg, Central Queensland, on a macadamia and sugar cane property.

**Prior roles**

*Blue Sky Water Partners Pty Limited: Investment Associate, 2016 – 2019*

*Ferrier Hodgson: Senior Analyst, 2014 – 2016*

*JP Morgan Equity Capital Markets: Vacationer, 2013 (12-week program)*

**Education/Qualifications**

*CFA Charterholder*

*Bachelor of Commerce (Finance), Bond University 2014*

*Bachelor of Laws (Honours), Bond University 2014*



## SECTION 5

# ASSET CLASS AND MARKET OVERVIEW

### A BRIEF HISTORY OF AUSTRALIAN WATER MARKETS AND REFORMS

The Australian water market is a globally unique marketplace progressively established with the dual objectives of economic efficiency of water use and environmental sustainability.

The MDB is Australia's largest and highest value irrigation area,<sup>20</sup> and in 2014-15 accounted for 66% of Australia's irrigated farmland.<sup>21</sup> Reforms of Australian water resources pre-date Federation in 1901, when the first water laws based on English common law were introduced, providing rights to use water in streams and rivers to riparian landholders.<sup>22</sup> In 1915, the River Murray Water Agreement was signed by the Commonwealth Government and the governments of South Australia, New South Wales and Victoria, providing sharing arrangements for water within the Murray River system.<sup>23</sup> From this point through to the 1970's and 1980's, significant developments occurred of large-scale storages and irrigation infrastructure throughout various regions.<sup>24</sup> Water licences were typically issued to irrigators on demand, leading to significant over-allocation and over-extraction of water resources and periods of severe pressure on environments linked to river systems across the MDB.<sup>25</sup> Fundamental reforms in the 1970's and 1980's led to:

- Limits on water extractions;
- Flexible allocation of water resources;
- Unbundling of land and water titles; and
- Creation of the foundations to support trading of water rights.

Other major milestones in the development of the Australian water markets were the creation of the 2004 Intergovernmental Agreement on a National Water Initiative (NWI) and the 2012 Murray Darling Basin Plan (the Plan). The NWI set in place clear guidelines for the States and Territories of Australia to adhere to in order to ensure efficient sharing and use of scarce water resources, including the need to develop efficient water markets.<sup>26</sup> The Plan, specific to the Murray Darling Basin, detailed how water resources in that region should be shared between consumptive users and the environment, and implemented measures to ensure the MDB be returned to health following generations of over-extraction.<sup>27</sup> The implementation of the NWI and the Plan are ongoing – the progress of implementation of both are assessed as required by the Australian Government's Productivity Commission.

Today, the Australian water markets allow free trade of permanent and temporary water rights, are integral to managing Australia's scarce water resources and generate economic benefits estimated to be valued in the hundreds of millions of dollars annually.<sup>28</sup>

Water markets in Australia are dispersed, markets are predetermined by geographic location of water resources and all follow, to varying degrees, the core principles of the NWI.<sup>29</sup> The MDB, home to the more mature water markets of the southern Murray Darling Basin (sMDB), spans the states of Queensland, New South Wales, Victoria, South Australia and the Australian Capital Territory.

### WHAT ARE AUSTRALIAN WATER ENTITLEMENTS?

In the Australian water markets, the established cap and trade framework allows for the following two tradeable property rights:

- **Water Entitlements or Water Access Entitlements:** also known as 'permanent water', are perpetual rights to a share of water from a water resource (commonly named a 'consumptive pool') such as a river or underground aquifer. A water entitlement is a property right that can be transferred independently of a water allocation (see below definition) and independent of land. Water entitlements are typically volume based (usually denoted in megalitres) and each have a distinct security type relating to the priority assigned to that water entitlement in relation to receipt of water allocations in the relevant water resource. Common water entitlement security types include:
  - High Security/High Priority/High Reliability – water entitlements that typically receive water allocations prior to lower security water entitlements. These water entitlements have higher historical reliability in terms of receiving water allocations and can generally still expect to receive the majority of their allocation in prolonged drought conditions.
  - General Security/Medium Priority/Low Reliability – generally only receive allocation after the high security/priority/reliability holders have received their full volumetric allocation. These entitlements may expect to receive a lower percentage of total allocations in an average year, however allocations from season-to-season may be very volatile.
  - Groundwater – are typically the equivalent of high security in terms of reliability and are related to a share of water in a gazetted aquifer or groundwater resource.

20 Australian Bureau of Agricultural and Resource Economics and Sciences, 'Irrigated Farms in the Murray Darling Basin' accessed on 17 September 2019 at <http://www.agriculture.gov.au/abares/research-topics/surveys/irrigation/overview>.

21 Ibid.

22 Water Markets in Australia: A Short History, accessed on 17 September 2019 at <https://apo.org.au/sites/default/files/resource-files/2011/12/apo-nid27438-1224671.pdf>.

23 Ibid.

24 Ibid.

25 Ibid.

26 The intergovernmental agreement on a National Water Initiative, 2004, accessed on 17 September 2019 at <http://www.agriculture.gov.au/SiteCollectionDocuments/water/Intergovernmental-Agreement-on-a-national-water-initiative.pdf>.

27 Murray Darling Basin Authority, A Plan for the Murray-Darling Basin, accessed on 17 September 2019 at <https://www.mdba.gov.au/basin-plan/plan-murray-darling-basin>.

28 Department of Agriculture and Water Resources, 2016, History of Australian Water, Markets, accessed on 17 September 2019 at <http://www.agriculture.gov.au/water/markets/history>.

29 Parliament of Australia, The Intergovernmental Agreement on a National Water Initiative, 2004.



- **Water Allocations:** also known as 'temporary water', is the right to access a volume of water, made available under a water entitlement, in any given water year. It is prescribed by the relevant water authority and typically expressed as a percentage of the water entitlement volume. The allocated volume can change in response to factors including storage levels of specific reservoirs,

climatic conditions, aquifer recharge status and security type of the particular water entitlement. A water allocation can be transferred independently of a water entitlement and land. The security types and classes of water entitlements can vary across water resources and state jurisdictions and typically have differing levels of historical and projected reliability.

## INVESTMENT CHARACTERISTICS OF AUSTRALIAN WATER ENTITLEMENTS

RCP believe the following characteristics make Australian water entitlements attractive as investment assets.<sup>30</sup>

<b>Essential Real Assets</b>	<ul style="list-style-type: none"> <li>• Critical and non-substitutable input into the production of essential goods;</li> <li>• Supply of water is perfectly price inelastic and determined by climate; and</li> <li>• Values are supported by Australia's globally competitive agriculture sectors,<sup>31</sup> benefiting from proximity to Asian markets.</li> </ul>
<b>Long-Term Structural Tailwinds</b>	<ul style="list-style-type: none"> <li>• Population growth, urbanisation and increasing per capita incomes support demand for agricultural goods;</li> <li>• Water entitlements on issue are freely traded and capped, unlike most asset classes; and</li> <li>• Sector dominated by private ownership, small average transaction size and is highly fragmented and insular in nature.</li> </ul>
<b>Attractive Asset Class Characteristics<sup>32</sup></b>	<ul style="list-style-type: none"> <li>• Return mix of yield and capital appreciation;</li> <li>• Water entitlements, like select other real assets, have shown to have low correlation with traditional asset classes;</li> <li>• Investments backed by real assets, offering higher likelihood of wealth preservation;</li> <li>• A long-term hedge against inflation, farmland portfolio returns and climate change; and</li> <li>• Less sensitivity to economic shocks.</li> </ul>

Australia's water markets are considered one of the largest and most sophisticated water markets globally.<sup>33</sup> In accordance with the 2004 NWI, the establishment of water markets in Australia have created incentives for the efficient use of irrigation water and allocation of water resources to the endeavour from which the maximum economic benefit can be generated. It is RCP's view that current and future trends in Australian agriculture, particularly irrigated agriculture, are critically dependent on the availability of water.

<sup>30</sup> There can be no guarantee that any portfolio of water entitlements or RCP's investment activities will provide the benefits as listed.

<sup>31</sup> McKinsey & Company, 2015, Pursuing the global opportunity in food and agribusiness and Australian Trade and Investment Commission, 2018, Why Benchmark Report and Department of Agriculture 2014, Australian Food Statistics.

<sup>32</sup> There is no guarantee that RCP or any investment vehicles will provide any of the benefits outlined. RCP analysis, 2019.

<sup>33</sup> Reuters, 2011, Water Trading Schemes Around the World; R Taylor, Wall Street Journal, 2018, Drought Tests Australia's Model Water Market.



## RETURN DRIVERS OF WATER ENTITLEMENT INVESTMENTS

Water prices are driven by multiple factors, most of which are not commonly associated with traditional markets. There is a strong relationship between climatic conditions, water availability, irrigated agricultural commodity prices and returns.<sup>34</sup>

Since 2009, there have been periods where government intervention in the form of voluntary water entitlement buy-backs have influenced the short-term returns of the market.<sup>35</sup> The Commonwealth has progressively acquired 16% of surface water licences on issue in the MDB through various on-market buyback schemes.<sup>36</sup> These schemes have reduced the supply of water available to irrigators and provided longer-term support for the price of entitlements in various zones.

Agricultural productivity growth, inclusive of the transition of farming operations from low to higher value production systems, affects longer term shifts in water demand, capacity to pay and long-term return prospects.

The concept of 'highest and best use' is an attribute of productivity growth which has influenced price performance of water entitlements in recent times. Water is the capped and non-substitutable input into Australian agriculture. As the cost of water increases, irrigated agricultural producers are incentivised to become more efficient and productive, as measured by financial returns per unit of water utilised in their operations. As irrigators become more efficient and productive, they generally use the same amount of water (or more), by increasing their productive area, making use of additional farmland. This tendency to increase production, driven by a profit motive, creates a cycle of increased productivity; rising capacity to pay for assets; and strong competition for water.

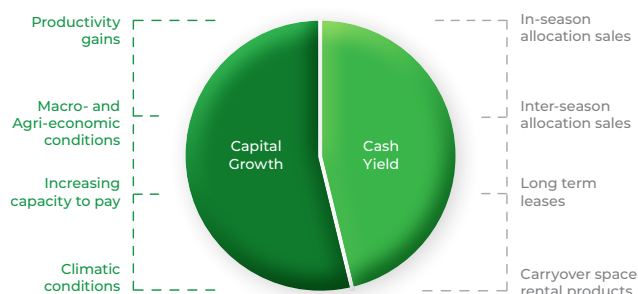
All else being equal, ignoring the potential impact from advances in efficient farming practices or changes in demand from non-agricultural users, these factors combine to support water values, resulting in the value accretion cycle as shown in Figure 3.

Figure 3: Water Value Accretion Cycle



Returns from investments into Australian water entitlements are divided into capital appreciation of the water entitlement itself, and cash yields that can be derived from the active management of the water allocations received by the particular water entitlement as illustrated in Figure 4.

Figure 4: Key Return Drivers of Water Entitlement Investments



<sup>34</sup> RCP Analysis, 2023.

<sup>35</sup> T Cummins and Associates, Water Market Trends, 2016, accessed 17 September 2019 at <http://www.mwwi.com.au/items/769/Water%20Market%20Trends%20Report%20Feb%2024%202016.pdf>.

<sup>36</sup> Australian Department of the Environment and Energy, Environmental Water Holdings, 2019, accessed 17 September 2019 at <https://www.environment.gov.au/water/cewo/about/water-holdings>; Australian Bureau of Meteorology, 2019, accessed 17 September 2019 at <http://www.bom.gov.au/water/dashboards/#/water-markets/mdb/eoi>.

## SECTION 6

# INVESTMENT STRATEGY AND PROCESS

The Fund operates a focused investment strategy, leveraging networks and sector expertise to own and manage a diversified portfolio of Australian water entitlements; the critical, capped and non-substitutable input into Australian agriculture.

The Fund will focus on identifying, acquiring and managing a well-diversified portfolio of water entitlements that offer the potential of sustainable revenue streams across weather cycles and the potential to maximise capital gains over the investment period.<sup>37</sup>

The Fund's investment strategy includes the following components:

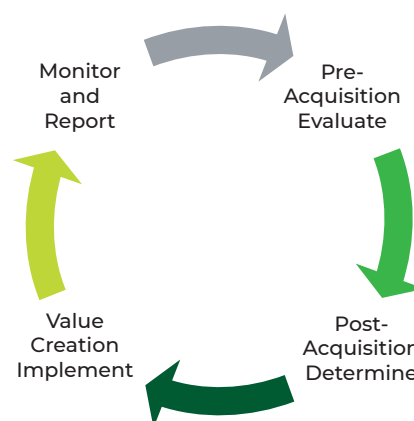
- **Well-diversified investment strategy** – RCP expects that the Fund's diversified investment strategy will provide investors with a balanced and sustainable return profile.<sup>38</sup> Diversification both inside and outside the Murray Darling Basin, across a range of state jurisdictions, mature and emerging water markets, water entitlement security types (high, medium, general and low security or reliability) and water resource types (surface or ground water) aims to provide protection from regional water entitlement and water allocation price fluctuations; price cycles of individual commodities and weather cycles; multiple counterparties to long term leases aims to mitigate and isolate exposure to performance of individual irrigator entities; being sufficiently diversified in the Fund's 'Portfolio of Target Assets' (POTA) will allow the Fund to be opportunistic and patient in acquiring target assets.<sup>39</sup>
- **Leveraging RCP's capabilities** – The Fund will seek to leverage the prior experience of the team in managing investments in Australia's agriculture sector and water markets. Australian agriculture and water markets are considered by RCP to be 'local'; history in the sector, credibility and sector specific knowledge and capability is critically important to the origination and effective management of water entitlement investments. Identifying relatively undervalued water entitlements for investment provides the opportunity for the Fund to potentially capture outsized returns.
- **Benefiting from a disciplined investment process** – The Fund has established strategic investment guidelines and a detailed investment process. The Fund's strategic investment guidelines have been designed to provide diversified exposure to Australia's globally unique water markets, discipline in the construction of the portfolio and a balanced and sustainable return profile. The guidelines provide flexibility in allowing RCP to be opportunistic in building a diversified portfolio.
- **Leveraging RCP's investment platform** – The Fund seeks to benefit from RCP's broad food and agriculture sector investment capability and particularly the knowledge and information obtained from the execution and management of investments in water entitlements and irrigated agricultural assets. Information and insight obtained across the business should allow RCP to better identify water entitlements that are undervalued relative to their potential highest and best use.

## PORTFOLIO CONSTRUCTION

The Fund's investment process is focused on leveraging RCP's networks and capabilities in a niche asset class with an aim to deliver balanced and sustainable returns. The Fund's investment process incorporates:

- **Pre-Acquisition** – Identifying and evaluating the Australian water market and more specifically the RCP Investable Universe for opportunities that fit the Fund's strategic investment guidelines.
- **Post-Acquisition Value Creation** – Active management of price risks associated with annual water allocation positions and ongoing review of asset valuations and "investability".
- **Monitoring, Reporting and Exit** – Oversight of investments from the Investment Committee and Risk Committee. Regular assessment of allocation management strategy against benchmark. Identification of yield compression as key indicator of assets potentially having reached full value.

Figure 5: RCP Investment Process and Lifecycle



With over 100 years of combined agribusiness sector experience, the team's networks, including water brokers, are the primary source of investment pipeline.<sup>40</sup> Investment opportunities are recorded in RCP's dedicated deal log and tracked throughout the lifecycle of the potential acquisition or divestment.

RCP's water entitlement investment process includes analysis of the composition and value of the Australian water market divided into mature and emerging markets (Figure 6), assigning proprietary investment ratings, conducting in-depth regional analysis, and defining a Portfolio of Target Assets (POTA) deemed to represent the most compelling investment opportunities for the Fund.

Against the POTA, an Investment Plan is formulated for approval by the Investment Committee and implementation by the investment team. Water entitlement portfolios managed by RCP are typically reviewed on a monthly basis by the Investment Committee.

<sup>37</sup> There is can be no guarantee the fund will achieve targeted returns or its intention to deliver sustainable revenue streams and to maximise capital gains.

<sup>38</sup> There can be no guarantee that the Fund achieves desired diversification or delivers a balanced and sustainable return profile.

<sup>39</sup> There is no guarantee that diversification will provide desired benefits as stated.

<sup>40</sup> Experience includes combined experience of RCP team and includes experience across agribusiness, finance and asset management.





## MATURE AND EMERGING WATER MARKETS

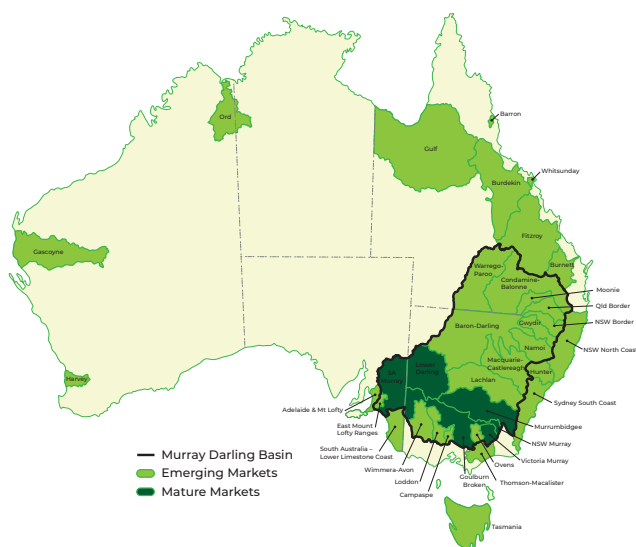
Mature markets as classified by the RCP investment process are predominantly those in the sMDB, where trade of water entitlements and water allocations is most developed, investments in change of land use have been most prevalent and sophisticated products such as inter-season forward sales, long term leases and carryover space rental products are well-established.

Emerging markets as classified by the RCP investment process include regions predominantly outside the sMDB, and in some cases outside the MDB altogether. Select emerging markets exhibit characteristics similar to mature markets including:

- Water entitlements on issue are capped;
- Scarcity of water supplies relative to current or potential demand; and
- Relatively reliable allocation of water annually to water entitlements.

Liquidity in emerging markets is expected to increase over time in a manner similar to that witnessed in select mature markets (particularly allocations) as change of land use development continues, availability of alternatives to entitlement ownership emerge, service providers (brokers) apply additional resources and availability of information increases.

Figure 6: Mature and Emerging Australian Water Markets



Source: ABARES, 2017.<sup>41</sup>

## FUND OPERATING STRATEGY

Water allocations received annually by the Fund and associated allocation sales strategies will be managed by RCP on an active and ongoing basis. The RCP team is experienced in developing and executing detailed allocation sales strategies which are approved and monitored by the Investment Committee each month. Owning a diversified portfolio of Australian water entitlements is expected to allow the Fund to generate revenues from a variety of methods. These revenues have been summarised in Figure 7:

- **In-season annual water allocation sales:** Water entitlements held by the Fund will receive annual water allocations which are progressively announced and issued throughout the Water Year (July-June).<sup>42</sup> In accordance with the Investment Committee approved strategy, water allocations are sold by the investment team for delivery within the current Water Year (being July 1st through June 30) primarily to irrigators, generating cash revenues on behalf of the Fund. Such transactions can occur directly with irrigator counterparties, through water brokers or through third party online exchanges.
- **Inter-season (forward) annual water allocation sales:** the RCP team models and tracks the expected volume of water allocations the Fund's portfolio of water entitlement will receive under a range of climatic scenarios. In accordance with the strategic investment guidelines of the Fund, RCP may contract for sale water allocations expected to be received up to three Water Years in advance. Prices for inter-season annual water allocation sales are typically conducted at a premium to in-season annual water allocation prices to compensate the seller for climate and water allocation volume uncertainty. A deposit is required to be paid by the acquirer and held in trust until final delivery of water and payment occurs in the relevant future Water Year. Such transactions have the potential to reduce the volatility of returns generated by the Fund.
- **Long term leases:** RCP may from time to time enter into lease arrangements on behalf of the Fund. Typically RCP will pass on any allocation received by the leased entitlement to the lessee for an agreed lease rate per year. Historically, water entitlement lease rates have ranged from 5% to 6% of the initial water entitlement value.<sup>43</sup>
- **Green Water Leases:** medium to long term (typically 3-5 years) lease agreements pioneered by Riparian that provide incentives for farmers to transition their operations and drive positive environmental impact.
- **Carryover space rental products:** Certain water entitlements allow the holder to carryover a certain volume of water from one Water Year to the next. The Fund will have a determinable carryover capacity based on the water entitlements held by the Fund. There exists a well-developed market for irrigators to pay a rental fee to access that space, representing a source of revenue for the Fund, at low levels of risk.

<sup>41</sup> Australian map graphic: Department of Agriculture and Water Resources, Australian Water Markets report 2016-17, accessed 17 September 2019 at <http://www.agriculture.gov.au/abares/research-topics/water/aust-water-markets-reports>; RCP Analysis 2019.

<sup>42</sup> There is no guarantee that each and every entitlement held by the Fund will receive an allocation every year.

<sup>43</sup> RCP Analysis, 2019.

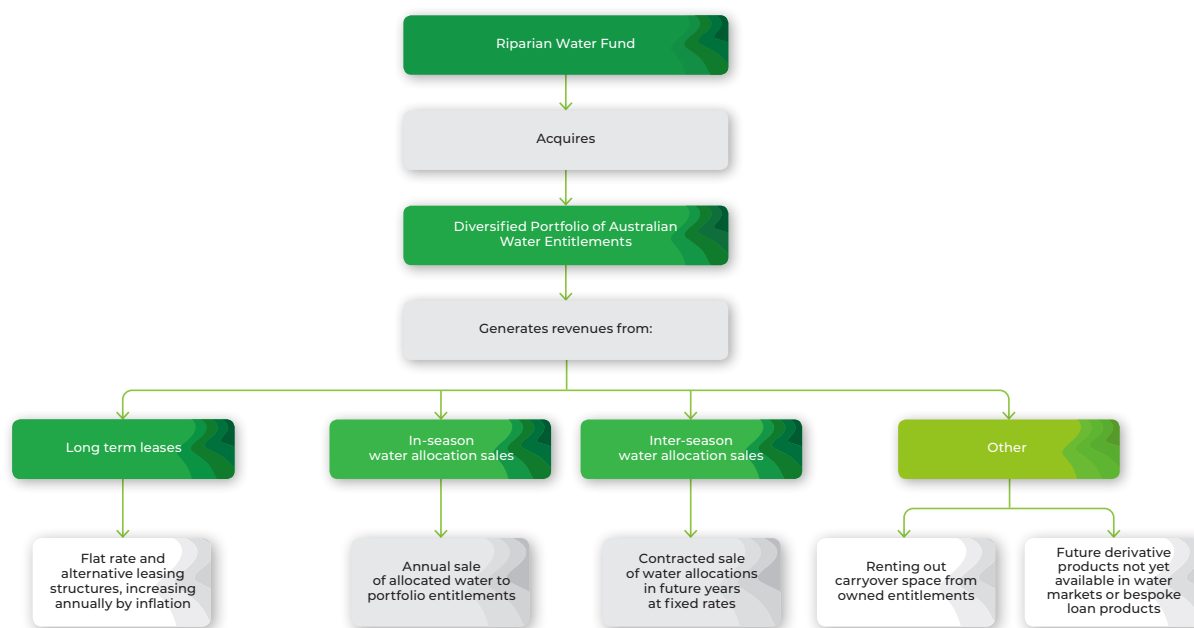




The above revenue generation methods are expected to assist the Fund in generating sustainable and consistent cash flows for investors (including the RWF Feeder Trust). It is possible that additional products will be developed overtime that are not currently available. RCP may in the future utilise products

outside those detailed above. RCP, through its investment process, will regularly evaluate the Fund's portfolio of water entitlements and develop and adjust the water allocation sales strategy with the objective of delivering a sustainable revenue stream to investors.

Figure 7: Riparian Water Fund Revenue Generation



SECTION 7

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

RCP is committed to implementing, monitoring and reviewing Environmental, Social and Governance (ESG) practices across the business and across assets managed by the firm. RCP is a provisional signatory to the United Nations Principles of Responsible Investing (UNPRI) and a supporter of the Taskforce on Climate-Related Financial Disclosures (TCFD). RCP's broader ESG practices and sustainability priorities have been informed by the UN Sustainability Development Goals and the firm's commitment as a signatory to the UNPRI.

Signatory of:



Due to the unique nature of Australian water entitlements and the Australian water market, RCP has identified the following ESG Factors specifically relating to investing in water entitlements:

ESG Factors	<ul style="list-style-type: none"><li>Is RCP actively engaged in maintaining, improving or developing new products for water users (e.g. farmers) to manage water purchases, water price risks and/or to promote sustainable outcomes.</li></ul>
	<ul style="list-style-type: none"><li>Is RCP actively involved in dialogue, through non-government or government bodies (e.g. National Irrigators Council) regarding factors impacting the water market or its participants?</li></ul>
	<ul style="list-style-type: none"><li>Is RCP selling/distributing all water allocated to water entitlements managed by RCP on an annual basis and not intentionally restricting water users' access to water?</li></ul>
	<ul style="list-style-type: none"><li>Are RCP's activities in the water markets supportive of the National Water Initiative?</li></ul>

Investment team members will actively monitor ESG factors and portfolio reviews are conducted by the Investment Committee on a quarterly basis to monitor performance to target and any variation to investment plan.



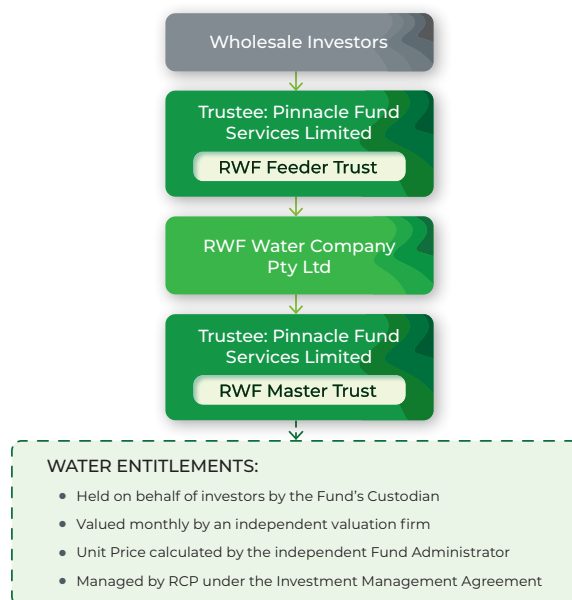
## SECTION 8

# INVESTMENT STRUCTURE

### FUND STRUCTURE

The Fund is structured as an Australian master unit trust and established in Australia. Investments by Wholesale Investors into the Fund will be made via an Australian unit trust ('RWF Feeder Trust'). The Australian unit trust will hold shares in an Australian proprietary company ('RWF Water Company Pty Ltd') which invests or will invest entirely in the Fund, as illustrated by Figure 8.

Figure 8: Riparian Water Fund Structure



### VALUATIONS POLICY

Valuations and unit pricing of the RWF Feeder Trust and the Fund occur on a monthly basis. The valuations will occur in line with RCP's Valuation of Investments Policy,<sup>44</sup> using a fair market value approach to determine the value of each asset of the Fund. In accordance with the policy, a independent, qualified independent external valuer provides a valuation of the following on a monthly basis:

- All unencumbered water entitlements held (on a registered basis) by the Fund;<sup>45</sup>
- All water allocations held by the Fund; and
- All water allocation sales and purchases entered into by the Fund but not yet completed.

The monthly valuation report is provided directly to RCP and the Fund Administrator and used by the Fund Administrator to determine the Net Asset Value and Unit Price of the RWF Feeder Trust and the Fund.

The Fund administrator is also responsible for calculating all fees payable, including accrued performance fees, of the Fund.

### REGISTRATION AS MANAGED INVESTMENT SCHEME

RCP intends that the Fund and the RWF Feeder Trust will be an unlisted managed investment scheme.<sup>46</sup> The Trustee reserves the right to apply to ASIC for the registration of the Fund and the RWF Feeder Trust as a managed investment scheme pursuant to the Corporations Act. The Trust Deeds for the Fund and the RWF Feeder Trust are currently drafted to permit such application and registration to occur.

In the event the Fund and the RWF Feeder Trust are registered as a managed investment scheme, the Trustee will be obliged to comply with the statutory requirements in relation to registered managed investment schemes (in its capacity as responsible entity for the Fund and the RWF Feeder Trust), including:

- Establishing and complying with a compliance plan which includes adequate measures to ensure that the Fund operates in accordance with the Corporations Act and its constitution;
- Establishing an external compliance committee which will monitor and audit the Fund's and the RWF Feeder Trust's compliance with the compliance plan (assuming the board of the Trustee does not comprise a majority of independent members); and
- Offering a redemption or withdrawal facility which accords with the statutory requirements. The existing facility outlined under 'Liquidity Events' accords with the statutory requirements as at the date of this IM.

<sup>44</sup> A full copy of the policy is available to prospective investors on request.

<sup>45</sup> Encumbered assets of the Fund may be valued externally on a quarterly basis.

<sup>46</sup> As that term is defined in the Corporations Act.



## SECTION 9

# FEES AND COSTS

The following table outlines the fees and costs associated with an investment in the Fund. These fees and costs will be borne indirectly by the RWF Feeder Trust in respect of its investments in the Fund (through the RWF Water Company). The RWF Feeder Trust and RWF Water Company will also incur their own operating costs which are not expected to be significant.

<b>Application Fee</b>	Nil.
<b>Redemption Fee</b>	Nil.
<b>Buy / Sell Spread</b>	<p>All applications and redemptions will occur at the relevant net asset value adjusted for costs incurred set at 0.50% and paid to the Fund. Redemptions that result in the liquidation of assets where transactions costs are incurred will be charged an additional amount equal to the actual transaction costs incurred up to a maximum of 2% which will be paid to the Fund.</p> <p>The Trustee has discretion to waive or reduce the buy/sell spread where the Fund incurs no costs, or reduced costs. Investors will be provided with notification of any changes to the buy/sell spread via RCP's website at <a href="https://ripariancp.com/">https://ripariancp.com/</a>.</p>
<b>Management Fee</b>	1.50% per annum. The Management Fee is calculated on the net asset value of the Fund and reflected in the monthly unit price and payable monthly to the Investment Manager.
<b>Performance Fee</b>	15.00% of the Fund's outperformance of the Hurdle Rate, which is subject to a high-water mark (that is, the Fund must recover any previous negative performance fee accruals before a performance fee can be paid) The performance fee is calculated and accrued monthly and reflected in the monthly unit price. Any accrued performance fees will be paid annually to the Investment Manager (if applicable) by the Fund.
<b>Hurdle Rate</b>	7.00% per annum net of all fees and subject to a high-water mark.
<b>Operating Expenses</b>	The Fund will bear its own operating expenses (on a cost recovery basis payable to the Trustee who will incur those expenses) and will reimburse the operating expenses of the Investment Manager relating to the operation and management of the Fund. Typical recurring expenses include accounting, custodial, administration, tax, legal, and audit fees will be capped at 0.25% per annum of gross asset value calculated on a quarterly basis. The Investment Manager will bear any operating expenses of the Fund above 0.25% per annum of the gross asset value.
<b>Extraordinary Costs</b>	<p>In general, the management fees, and when accrued, performance fees, are all that will be charged. However, under certain circumstances, extraordinary expenses may be paid directly by the Fund. Extraordinary expenses are not of an ongoing nature. Examples of this type of expense include convening of an investors' meeting, termination of the Fund, amending the Fund constitution, defending or bringing of litigation proceedings, and replacement of the Trustee.</p> <p>Standard government fees, duties and bank charges may also apply to your investments and withdrawals, including dishonour fees and conversion costs.</p>
<b>Additional Transactional and Operational Costs</b>	Transactional and operational costs associated with dealing with the Fund's assets may be recovered from the Fund. Transactional and operational costs, other than any buy/sell spread, may include brokerage, investment settlement fees, clearing costs and applicable stamp duty, when underlying assets are bought or sold.

## CHANGES TO FEES AND OTHER COSTS

The Trustee reserves the right to change fees and other costs, subject to any limitations under the Fund constitution and applicable law. The Trustee will give investors 90 days' notice prior to increase in any fees.



## SECTION 10

# OTHER PRINCIPAL TERMS

### RIPARIAN WATER WHOLESALE FEEDER TRUST

<b>RWF Feeder Trust</b>	Riparian Water Wholesale Feeder Fund
<b>Trustee</b>	Pinnacle Fund Services Limited
<b>Investment Structure</b>	<p>The RWF Feeder Trust has been established as an Australian unit trust. Wholesale investors will acquire units in the RWF Feeder Trust which will use those funds to acquire shares in the RWF Water Company (on the basis of one share per unit in the RWF Water Company). The RWF Water Company will then use those funds to acquire Units in the Fund in accordance with the Fund's constituent documents.</p> <p>Returns of the Fund will be calculated on a pre-tax basis, while returns for investor partners in the RWF Feeder Trust will be calculated on a post-tax basis due to the company tax obligations of the RWF Water Company. Other than differences in relation to tax, the returns to investor partners in the RWF Feeder Trust are expected to substantially mirror the returns of the Fund, with only limited operational costs incurred by either the RWF Feeder Trust or the RWF Water Company. The below summary of the Fund should be read in its entirety given its critical.</p>
<b>Transactions</b>	The RWF Feeder Trust is open-ended providing quarterly subscription and redemption opportunities in accordance with its constituent documents (further details of which are set out under the Liquidity Events section of the Fund terms on the following page).
<b>Minimum Investor Commitment</b>	The minimum capital commitment is \$50,000. The Trustee reserves the right to accept capital commitments of lesser amounts.
<b>Distributions</b>	The RWF Feeder Trust will aim to make at least annual distributions to investors. The availability of such distributions will depend on receipt of distributions from the Fund and the RWF Water Company.
<b>Custodian</b>	Perpetual Corporate Trust Limited
<b>Administrator</b>	Unity Fund Services Pty Ltd
<b>Formal Documentation</b>	<p>Information Memorandum and Subscription Agreement</p> <p>Trust Deed</p> <p>RWF Water Company Pty Ltd constitution</p>
<b>Currency</b>	Australian dollars
<b>Tax and Legal Matters</b>	Each prospective investor should consult their own tax and other advisers in determining the possible tax or other consequences of the purchase and ownership of interests in the RWF Feeder Trust.



## RIPARIAN WATER FUND

<b>The Fund</b>	Riparian Water Fund.
<b>Trustee</b>	Pinnacle Fund Services Limited.
<b>Investment Manager</b>	Riparian Capital Partners Pty Limited.
<b>Investment Structure</b>	The Fund is structured as an Australian master unit trust.
<b>Investment Strategy</b>	The Fund will invest in a diversified portfolio of Australia water entitlements within strategic diversification guidelines.
<b>Target Return<sup>47</sup></b>	Annual return of between 10% and 12% (net of fees) including a net average cash distribution of 4%-6% per annum.
<b>Sponsor and Staff Commitment</b>	Minimum capital commitment of \$1.5 million for a period of 5-years (inclusive of indirect commitment via RCP's Water, Agriculture and Food Fund).
<b>Liquidity Events</b>	<p>Investors may be admitted to the Fund quarterly. Applications received on 10 business days' notice prior to quarter end will be admitted the 1st business day of the following quarter.</p> <p>Investors may redeem from the Fund quarterly. Redemption requests received on 30 business days' notice will be redeemed on the 1st business day of the following quarter.</p> <p>The Investment Manager reserves the right to:</p> <ul style="list-style-type: none"> <li>• close the Fund to new subscriptions and to re-open the Fund; and</li> <li>• restrict redemptions from the Fund if it is deemed to be in the best interests of all investors and to allow for orderly disposal of assets should that be required to meet redemption requests. Restrictions of redemptions shall not surpass 12 months without investor approval by ordinary resolution.</li> </ul>
<b>Borrowing and leverage</b>	<p>The Fund may maintain a borrowing facility for general Fund operation and long-term investment purposes. The aggregate of any outstanding borrowings and any guarantees given by the Fund shall be limited to no more than the 30% of the Gross Asset Value of the Fund. Any borrowing shall be within the guidelines set forth by first class banks or debt providers and in line with local rules and regulations.</p> <p>The Manager may, acting on behalf of, and for the account of, the Fund, secure such borrowing facility by granting security rights over any of the Fund's assets, including granting to lenders the right to issue drawdown notices for capital commitments in order to repay any borrowings, interest, or related expenses.</p>
<b>Distribution Policy</b>	The Fund will aim to make at least annual distributions to investors. The Investment Manager intends to pay out all operating profits after costs to investors.
<b>Distribution Reinvestment</b>	Dividends declared by the Fund may be reinvested on the election of investors at the prevailing unit price of the Fund.
<b>Formal Documentation</b>	<p>Information Memorandum and Subscription Agreement.</p> <p>Trust Deed - Australian Master Trust.</p> <p>Investment Management Agreement.</p>

<sup>47</sup> The target return is not a forecast or projection of the performance of any particular asset or bundle of assets. It is a statement of the Manager's objective in identifying assets to be acquired with the funds raised under this IM. All returns are AUD denominated, net of fees. There is no guarantee that RCP or the Fund can deliver target returns. Past performance is not indicative of future results, which may vary.



<b>Side Letters</b>	<p>The Investment Manager may enter into side letters or other similar agreements with investor partners where the side letters have the effect of establishing rights under or alerting or supplementing the terms of the governing documents of the Fund.</p> <p>Side Letters of similar arrangements with entities or individuals associated with the Investment Manager may contain material economic provisions different to those contained in other side letters or similar arrangements.</p>
<b>Reporting</b>	<p><b>Monthly Reports and Representations</b> Monthly Valuation Statement and unit price.</p> <p><b>Quarterly Reports and Representations</b> Quarterly investment report detailing unit price and investment commentary.</p> <p><b>Annual Reports and Representations</b> Annual audited financial statements. Annual Distribution Statement. Annual Tax Statement.</p>
<b>Year End</b>	June 30 (Australian Master Trust).
<b>Currency</b>	Australian Dollars (AUD).
<b>Hedging Policy</b>	The Fund will not enter into derivative or forward contracts or instruments to hedge investor partners commitments or interests from the changes in currency exchange rates.
<b>Custodian</b>	Perpetual Corporate Trust Limited.
<b>Administrator</b>	Unity Fund Services Pty Limited.
<b>Auditor</b>	PwC.
<b>Indemnification</b>	The Investment Manager, Trustee, any affiliates of the Investment Manager, service providers and their respective affiliates, officers, directors, agents, delegates, consultants and employees shall each be entitled to be indemnified out of the assets of the Fund against any claims, liabilities, actions, proceedings, costs, damages, demands or expenses incurred or threatened by reason of their activities on behalf of the Fund, apart from matters resulting from fraud, wilful misconduct, bad faith or gross negligence.
<b>Tax and Legal Matters</b>	Each prospective investor should consult their own tax and other advisers in determining the possible tax or other consequences of the purchase and ownership of interests in the Fund.



## SECTION 11

# INVESTMENT RISKS

An investment in the RWF Feeder Trust and indirectly the Fund involves a substantial degree of risk and should be considered only by investor partners whose financial resources are sufficient to enable them to assume such risk (and possible loss of some or all of their investment) and who have no immediate need for liquidity in their investment. The following section will provide a summary of certain risks that prospective investor partners should consider before deciding whether to invest in the RWF Feeder Trust. It is not and does not purport to be an exhaustive listing or explanation of the potential risks of such an investment. Prospective investor partners should consult their professional advisers prior to committing capital to the RWF Feeder Trust.

An investment in the RWF Feeder Trust and indirectly the Fund involves certain risk factors and considerations. No assurance can be given that the RWF Feeder Trust or the Fund will meet its investment objectives and its target returns. Investment results may vary substantially over time. Prospective investor partners should conduct their own due diligence independent and without reliance on RCP, its affiliates and advisers. Prospective investor partners should also consider if the strategy provides for sufficient reward to offset the high investment risks involved with the uncertainty of yield, quality, cost, delivery, and timing, as well as considerations for cash flow, debt repayment, cash reserves, and investment dividends.

RCP has identified select key risks of an investment in the RWF Feeder Trust. The information below outlines select risks which include:

Key Risk	Description	Notes
<b>Financial Risks</b>		
Currency Risk	Risk associated with unfavourable movements in the exchange rates and differing tax structures	All the Fund's investments, revenues and expenses will be denominated in Australian dollars and not hedged at the portfolio level. Changes in exchange rates may impact the Fund's holding value for offshore investor partners.
Deployment Risk	Risk associated with RCP not being able to deploy sufficient capital into the target assets	<p>RCP will target assets across a wide investable universe. The size of the investable universe and the availability and volume of suitable investment opportunities may change over time. The Fund will compete against other market participants when seeking to secure investments. There is no guarantee that the Fund will be able to secure suitable investments or fully invest all capital commitments within a given timeframe.</p> <p>RCP may suspend redemptions from time to time where this is deemed to be in the best interest of all investors. This may occur where required, due to illiquidity of investments, for the purpose of orderly disposal of assets.</p>
Disposition Risk	Risks associated with the sale of portfolio assets – timing, sequence, value	RCP will remain opportunist in relation to exit of any water entitlements against a long term buy and hold strategy. It may be difficult to liquidate investments or find prospective buyers in the event RCP chooses to sell any water entitlements.
Distribution Risk	Risk associated with the timing and variance in distributions issued to unitholders	None of the Fund, the RWF Feeder Trust or the RWF Water Company can guarantee the availability of funds for making distributions to investor partners over the life of the Fund or the timing of distributions. The ability of the Fund to pay distributions to investor partners is impacted by many factors including the performance of individual assets, debt servicing and tax obligations.
Diversification Risk	Risks associated with lack of fund diversification	The Fund seeks to achieve diversification across a broad range of geographically specific water markets, water resource types (surface or groundwater) and water entitlement types (high, general and low security or reliability). There is no assurance that the Fund will raise sufficient capital or be able to secure suitably attractive investments to achieve the desired level of diversification. It is possible that the portfolio, particularly during buildout, may be concentrated across a small number of water markets, water entitlement types or water resource types. Likewise, it is possible that the Fund becomes overdiversified. Failure to achieve desired diversification across the Fund or poor performance from one water entitlement type or water market may impact returns from the Fund.





Economic and Agri-economic Environment	Risk of changes in market conditions	Any material changes in the economic environment or the production and distribution of food, including a slow-down or shift in commodity prices, asset valuations, exports, imports or market interference more generally, could negatively impact the performance of the Fund. Changes in the economic growth in Australia and globally may impact demand for certain agricultural goods. Increases or decreases in supply or demand of agricultural goods may impact the clearing price of goods produced. Market interference via government involvement may impact the equilibrium of the market. These factors may have an impact on valuations, the ability to raise capital to support the investment objective of the Fund, the profitability of investments or the ability to realise investments.
Financing Risk	Risks associated with changes in bank lending limits and availability of debt to finance acquisitions	The Fund will target an aggregate exposure of Loan to Value ratio of up to 30% however this is not leveraged at the Fund level rather reflects aggregate leverage at the asset level. The cost and availability of debt finance is difficult to accurately forecast. Changes in bank lending policies or a deterioration of credit markets may impact the availability and price of debt finance. The Fund's performance and the stability of RCP may impact the ability to obtain finance on favourable terms. Excess leverage may impact the Fund's ability to achieve sustainable returns from investments. If the Fund cannot meet its debt service obligations, the Fund may suffer a partial or total loss of investment capital impacting the returns of the Fund.
Geopolitical Environment	Global, domestic and local political environment is uncertain including ability to access global markets.	<p>The Australian food and agriculture sector exports the majority of the agricultural goods produced. Changes in the political environment globally may impact access to markets and exports. Involvement of governments in agricultural markets, particularly through trade protections and subsidies and changes in the geopolitical environment generally may impact Fund returns.</p> <p>The Australian water markets and the regulations under which they operate are subject to support by the Australian and various state governments. Any changes to regulations could impact on the valuation of water entitlements in general, and specific water entitlements if changes are more localised in nature.</p>
Interest Rate Risk	Risk of changes in interest rates	An increase in interest rates may increase debt services costs and may impact the performance of the Fund.
Investment Objective Risk	Risks that investment objectives of the Fund are not achieved	There can be no assurance the Fund will meet its investment objectives. The Fund's ability to meet its investment objective may be adversely impacted by a vast array of factors including but not limited to market conditions and the ability of RCP to retain staff. Actions taken by RCP to implement the investment strategy as outlined and / or to guard against adverse impacts on the Fund may not entirely guarantee investment objectives are met.
Investment Structures	Risk associated with investment structures unevenly impacting investor partners	Investor partners that commit to the RWF Feeder Trust may have conflicting investment, tax and other interest in respect to their investment in the RWF Feeder Trust. These conflicts may arise from the nature of investments, the nature of return streams from the RWF Feeder Trust or the timing of returns from the RWF Feeder Trust which may result in Fund outcomes being more beneficial to one or more investors. In operating and managing the Fund and the RWF Feeder Trust RCP will consider the investment and tax objectives of the Fund and RWF Feeder Trust as a whole and not the individual investors.
Liquidity Risk	Risks associated with Fund illiquidity	The RWF Feeder Trust and the Fund are open ended with quarterly applications and quarterly redemptions. RCP will take a typically long term buy and hold opportunist approach to water entitlement investments. It is uncertain as to when profits, if any, will be realised. Further, it's possible for the expenses of the Fund to exceed its income which may require expenses to be paid from the Fund's capital.



Passive Investment Risk	Dependence on RCP, its employees and future and past performance	<p>The success of the Fund will be largely dependent on RCP, which in turn will rely on the expertise of its employees and the employees of its affiliates and shareholders. Investors will rely on RCP and its employees to manage the Fund and will not be given discretion as to the Fund's investments. Investors must rely on RCP to appropriately purchase and manage (and where required dispose of) investments in line with their best interests. There is no assurance that RCP can retain key employees or that suitable replacements can be found in adequate time should an employee leave RCP.</p> <p>Past performance of RCP (which has no history of investing in its own right), its shareholders or its employees should not be considered indicative of future results which may vary. There can be no guarantee that RCP will be able to originate and manage targeted investments or achieve the targeted internal rate of return. It is possible that on any given investment, and in respect of the Fund more generally, that RCP may lose capital.</p>
Tax Risks	Risks associated with tax implications	An investment in the RWF Feeder Trust will result in a number of tax considerations for investor partners. Accordingly, prospective investor partners should consult with independent tax advisors as to the suitability of an investment in the RWF Feeder Trust. Additionally, the tax implications and rules for an investment in the RWF Feeder Trust may change over time which could affect the returns to investor partners. Returns of the Fund or the RWF Feeder Trust may also be impacted by Australian withholding tax or fund level taxation with the inability to claim franking credits for investor partners.
Unforeseen Events	Risks associated with unanticipated events.	There is a possibility that the performance of the RWF Feeder Trust or the Fund could be negatively impacted by events outside the control of RCP. The Fund will seek to maintain appropriate levels of insurance and safeguards. There can be no assurance that insurance coverage or actions taken by RCP will be sufficient to mitigate losses or expenses incurred from unanticipated events.
Valuation Risk	Risks associated with valuation of assets	The valuation of the Fund's assets relies on access to relevant transaction data for water entitlements and water allocations and may be impacted by changes in independent valuation methodologies, changes in assumptions and general economic conditions. The process or assumptions made by independent valuations may not accurately reflect market conditions impacting the recorded performance of the Fund. Likewise, there can be no assurance that projections formed will reflect actual results. The valuations provided should always be considered estimates based on judgment and information available at the time.
<b>Risks Associated with Management</b>		
Capital Risk	Risk of failure to raise sufficient capital	There is no guarantee that the Fund will raise sufficient capital to enable the Fund to achieved desired diversification.
Development Risk	Risks associated with emerging market investment activities	The Fund may invest in assets that are classified as being located in emerging water markets in Australia. The returns of the Fund will be impacted if the specific emerging water markets invested in do not mature as expected.
Investment Manager Termination Risk	Risk associated with termination of the investment manager	Under the terms of the Investment Management Agreement, RCP may terminate the agreement, or be terminated following a vote of investor partners. This termination may have material consequences for the Fund.
Key Personnel and Manager Risk	Risks associated with loss or change in key persons and/or manager	The management of the Fund will rely on the key members of RCP. The loss of any key member of the team may result in an impact to the portfolio's performance. There can be no assurance that these key team members will continue to be associated with RCP or that RCP can attract suitable replacements.



Operational Risk	Risks associated with the poor management of investments	Sub-par operational performance by RCP may have a negative effect on Fund performance.
Performance Risk	Risk associated with lack of performance history	The Fund is a new investment vehicle with no operating history. RCP is a newly formed investment manager. The past performance of individual members of RCP is no guarantee of the future performance of the Fund which may vary.
Reputational Risk	Risks associated with damages to RCP's or the Fund's reputation	RCP or the Fund may over time be exposed to criticism that results in damage to RCP's reputation or the reputation of individuals employed by RCP. Reputational damage can lead to the loss of financial capital, social capital and / or the ability to operate effectively which in turn may impact Fund performance.

**Business Risks of Portfolio Assets that may Impact the Fund**

Allocation volume risk	Risk associated with the volume of water allocated to the water entitlements held by the Fund	<p>The volume of water allocated to the water entitlements held by the Fund is influenced by climatic conditions, predominantly rainfall and resultant inflows into relevant water storages. An under or overabundance of rainfall may result in water allocations being significantly under or over expectations, impacting on demand for water allocations and the value of the same. This in turn may impact the performance of the Fund.</p> <p>Volumes of water allocations may also be adversely affected by changes to water management rules or water sharing plans, which may negatively impact the performance of the Fund.</p>
Climatic Risk	Risks associated with climatic conditions on an intra-season, inter-season and on a longer-term basis.	The Fund may invest in assets that are exposed to changes in climatic conditions. Excessive dry or wet conditions or prolonged extreme weather events can materially impact the outcomes of portfolio assets and Fund returns. Longer term climatic conditions such as climate change also has the potential to materially impact on the outcomes of the Fund.
Environmental Risk	Risks associated with the Environment	<p>The Fund may invest in assets that are subject to several rules, statutes and regulations relating to environmental protection.</p> <p>There is the possibility of future or existing environmental contamination, including groundwater resources due to over utilisation/extraction. Environmental contamination could negatively impact the value of investments held by the Fund in specific groundwater resources.</p>
Food & Fibre Consumption & Production Trends	Risk of a change in food & fibre consumption & production trends	The Fund may invest in assets involved in the production and processing of food and fibre. It is possible that demand or supply for certain foods changes in a manner that adversely impacts the assets held by the Fund.
Forward Sale and Lease Risk	Risk associated with forward selling allocation or leasing entitlements at incorrect prices	As discussed in this IM, the Fund may lease water entitlements from time to time or enter into forward sale transactions in respect of water allocations. A vast array of factors may impact the success of this strategy, including the quantum of water allocated to water entitlements in the relevant water years and the price of water traded 'in-year' in those years, each of which themselves are subject to a number of other factors and risks as set out in this document. Although leasing and forward selling water are expected to be revenue generating activities (and the Fund's strategic investment guidelines are expected to mitigate this risk), these may in fact lead to the Fund suffering a loss (e.g. where the Fund needs to acquire water allocation to meet a forward sale contract due to lower than expected allocation to its owned entitlements).



Government Buy-back Risk	Risk associated with Commonwealth Government activities in the water markets associated with buy-backs of water entitlements	<p>The participation of the Commonwealth Government in buying water entitlements in specific water markets with the intention to apply those entitlements to environmental use may act to distort the fundamentals of the respective water markets, in which the Fund may hold investments. Furthermore, such activity by the Commonwealth Government may reduce the opportunities for the Fund to acquire water entitlements at appropriate values.</p> <p>The Commonwealth Environmental Water Holder (CEWH) is the entity responsible for managing the Government's water portfolio acquired under the buy-back scheme. Any decision by the CEWH to sell water entitlements or water allocations could negatively impact the value of water entitlements held by the Fund.</p>
Lease Counterparty Risk	Risks associated with the performance of lessees	The Fund may lease water entitlements from time to time. The ability of RCP to assess the credit worthiness of lessees and the ability of lessees to meet their obligations under any lease contract may influence the outcomes of the Fund. A lessee default may negatively impact returns.
Liquidity Risk	Risks associated with market depth and turnover of water entitlements and water allocations	Turnover volumes of water entitlements and water allocations can be low either temporarily or in an ongoing fashion in the water markets the Fund invests in. Low turnover can impact on the ability to accurately value assets held by the Fund, the ability of the Fund to acquire and divest assets in a reasonable time frame at acceptable values.
Pest, Disease or Food Safety Risk	Risk of the influence of pests, disease or food safety	The Fund may invest in assets that may be exposed to pests and disease. Pests and disease have the potential to impact irrigation farming operating returns, may not easily be prevented or irradiated and may impact on demand for water entitlements and allocations. Food contamination during the production, processing, transportation or retailing may negatively impact profitability of companies in irrigated agricultural supply chains, impacting demand for water entitlements and hence returns of the Fund.
Price Risk	Risk associated with changes in the price of commodities, outputs, services, water entitlement and water allocation prices.	The Fund may invest in assets that are exposed to changes in the price of inputs or outputs including but not limited to commodity prices, petrol prices, fertilizer prices, water entitlement and allocation prices. There is no guarantee that the Fund will have the tools to or will mitigate this risk. Changes in prices have the potential to negatively impact Fund returns.
Settlement Risk	Risk associated with water entitlements and water allocation transactions reaching settlement	Transactions involving water entitlement and/or water allocations may fail to reach settlement for a number of reasons including counterparty default, regulatory or legal issues. Failure to settle certain transactions may negatively impact the performance of the Fund.
Water Allocation Forfeiture Risk	Risks associated with the loss of water allocations due to carryover restrictions	Failure by RCP to sell all water allocations received by the portfolio during the Water Year (beginning July 1 and ending June 30 the following year) may result in water allocations being forfeited by the Fund. Any such forfeiture would result in a loss of income and negatively impact the performance of the Fund.

#### Legal and Regulatory Risks

Counterparty Risk	Risks associated with counterparty breaches of their contractual obligations	RCP, the Fund and investment companies may enter into a variety of legal contracts (including with the Trustee and Pinnacle as set out in this IM). These contracts may be critical to the success of operations and/or the returns derived by the Fund and can be influenced by a vast array of factors. There can be no guarantee that any contract entered into will be honoured by counterparties or remain unchanged over the contract period or be legally enforceable. There is a risk to the Fund if contracts are not honoured, are changed or are not legally enforceable.
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FIRB Risk	Risks associated with obtaining necessary approvals from the Foreign Investment Review Board	<p>Acquisitions made by the Fund, where offshore capital is used, may require the approval of FIRB and may be impacted by FIRB policies.</p> <p>Any future specific changes to FIRB's policies are not yet known and could have a material adverse effect on the Fund's ability to acquire new assets and achieve its diversification objectives.</p>
Indemnity	Fund Indemnification	The Fund will indemnify certain parties including but not limited to RCP as the Investment Manager against a number of claims, damages, losses and liabilities that may arise. Such indemnification may negatively impact the Fund and or challenge its ability to meet its investment objective.
Litigation	Risk of litigation against the investment manager or the Fund	The performance of RCP may be affected by litigation against RCP or the Fund.
Regulatory and Legislative Risk	Risks associated with legislation, regulations, acts or laws	<p>RCP, the RWF Feeder Trust, RWF Water Company and the Fund will be exposed to regulations and legislations as a result of their day to day business activities. There can be no guarantee that legislation, regulations, acts or laws, including tax law and water market regulations, will remain consistent throughout the life of the Fund or that changes to legislation, regulations, acts or laws will be beneficial to the Fund. There is always a possibility that changes to the regulatory and legislative environment will negatively impact RCP, the RWF Feeder Trust, RWF Water Company, the Fund or assets held by the Fund.</p> <p>The RWF Feeder Trust and RCP will also rely on the Trustee to ensure the RWF Feeder Trust and Fund complies with certain of its regulatory obligations. To the extent the Trustee breaches the trustee services agreement, terminates that agreement or is otherwise unable to continue to comply with its obligations under that agreement, RCP may be required to urgently find a replacement trustee with the necessary regulatory authorities and qualifications. RCP's ability to successfully execute this transition will be critical to the ongoing viability of the Fund.</p>
<b>Conflicts of Interest</b>		
Conflicts with other Investments	Risks associated with conflicts of interest at asset and operating partner level	<p>RCP is expected to manage other investment funds and mandates outside the Fund and its employees will serve as directors on some of those investments. There may be circumstances where those employees are required to make decisions which conflict the best interests of the Fund in their duty as directors of those other investments, for example in situations regarding bankruptcy or other insolvency events occurring.</p>
Deal Allocation	Risks associated with the conflict of interest between investment vehicles	Conflicts may arise over time between RCP and the Fund and investment vehicles managed by RCP. While various policies and protocols have been developed with the objective of treating investor partners in all investment vehicles equitably, there is a risk that the perception of conflict or an actual conflict may arise between members of one vehicle and the members of another vehicle.



## SECTION 12

# OTHER MATTERS

### KEY LEGAL DOCUMENTS

#### Australian Master Trust Deed

The Fund is constituted pursuant to the Australian Master Trust Deed which set out in the terms of the relationship (including the respective rights, duties and obligations) between the Trustee and the Fund's investors. Among other things, the Australian Master Trust Deed sets out:

- the rights attaching to Units;
- the Trustee's rights and obligations with respect to applications for Units in the Fund;
- the process for applying for and redeeming Units in the Fund;
- how and when the Trustee will calculate and make distributions of the Fund's assets;
- the extent of the Trustee's delegation of its role in the management of the Trust to the Investment Manager;
- the Fund's valuation and reporting obligations; and
- the process for calling and holding meetings of investor partners.

While this IM has been prepared on a basis which is consistent with the Australian Master Trust Deed, it is not exhaustive and does not set out in detail every provision of the Australian Master Trust Deed which is relevant to an investor's decision to apply for Units. Investor partners are encouraged to review the Australian Master Trust Deed and obtain individual advice. Access to the Australian Master Trust Deed has been made available to all investors.

#### RWF Feeder Trust Deed

The RWF Feeder Trust is constituted pursuant to the RWF Feeder Trust Deed which sets out in the terms of the relationship (including the respective rights, duties and obligations) between the Trustee and the investors in the RWF Feeder Trust. Among other things, the RWF Feeder Trust Deed sets out:

- the rights attaching to Units;
- the Trustee's rights and obligations with respect to applications for Units in the RWF Feeder Trust;
- the process for applying for and redeeming Units in the RWF Feeder Trust;
- how and when the Trustee will calculate and make distributions of the Fund's assets; and
- the process for calling and holding meetings of investor partners.

While this IM has been prepared on a basis which is consistent with the RWF Feeder Trust Deed, it is not exhaustive and does not set out in detail every provision of the RWF Feeder Trust Deed which is relevant to an investor's decision to apply for

Units. Investor partners are encouraged to review the RWF Feeder Trust Deed and obtain individual advice. Access to the RWF Feeder Trust Deed has been made available to all investors."

#### RWF Water Company Pty Ltd Constitution

The constitution for the RWF Water Company sets out the terms of the relationship (including the respective rights, duties and obligations) that exist or will exist between the RWF Water Company and its shareholders and between the shareholders of the RWF Water Company themselves. Among other things, the constitution governs:

- the Board of the RWF Water Company, including its role and the process for appointing and removing directors;
- the rights of the Board to issue additional shares in the capital of the RWF Water Company;
- the procedures for calling meetings of directors and shareholders of the RWF Water Company; and
- the process for the declaration and payment of dividends by the RWF Water Company.

A copy of the constitution of the RWF Water Company can be made available to investors and potential investors on request.

#### Investment Management Agreement

The Trustee has appointed the Investment Manager to manage the Fund pursuant to the Investment Management Agreement. Among other things, the Investment Management Agreement provides for:

- delegation of materially all aspects of the day-to-day management and operation of the Fund (including formulation and implementation of the investment strategy and guidelines as set out in this IM and as amended from time to time) to the Investment Manager, subject to an obligation to do all things necessary to permit the Trustee to comply with its statutory and common law duties as a trustee; and
- payment of the management fee and performance fee to the Investment Manager on the terms set out in this IM or as otherwise approved by investor partners.

The Investment Management Agreement contains limited rights of termination, including in the instance of insolvency, fraud or gross negligence having a material adverse impact on the Fund by the Investment Manager.

### TAXATION

Investors should consult with their own professional tax advisers regarding the potential tax implications of an investment in the Fund.



## SECTION 13

# GLOSSARY

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**ASIC** means the Australian Securities and Investments Commission.

**Board** means the board of directors of RCP as constituted from time to time.

**Corporations Act** means the Corporations Act 2001 (Cth).

**FIRB** means the Foreign Investment Review Board.

**Fund** means the Riparian Water Fund established pursuant to the Australian Master Trust Deed.

**IM** means this information memorandum (including the Subscription Agreement).

**Investment Management Agreement** means the investment management agreement in respect of the Fund entered into between the Trustee and the Investment Manager and dated 17 October 2019.

**Investment Manager or RCP** means Riparian Capital Partners Pty Limited ACN 630 179 752 (corporate authorised representative number 001273948).

**Investor or Investor Partner** means an investor in the Fund via the RWF Feeder Trust, being a Person who has acquired Units pursuant to this IM by completing a Subscription Agreement.

**Offer** means the offer to acquire Units made pursuant to this IM.

**Person** includes a body corporate or any other form of entity or association.

**PIML** means Pinnacle Investment Management Limited ACN 109 659 109 (AFSL 322 140).

**Pinnacle** means Pinnacle Investment Management Group Limited (ASX: PNI) ACN 100 325 184.

**RWF Feeder Trust** means the Riparian Water Wholesale Feeder Trust, established for the purpose of acquiring shares in the RWF Water Company.

**RWF Water Company** means RWF Water Company Pty Ltd, established for the purpose of acquiring units in the Fund.

**Subscription Agreement** means the subscription agreement provided in conjunction with this IM.

**Trustee** means Pinnacle Fund Services Limited ACN 082 494 362 (AFSL 238 371).

**Unit** means a unit in the RWF Feeder Trust.

**Wholesale Investor** has the meaning ascribed to it under the Corporations Act 2001 (Cth).

**Water Year** means the period beginning on 1 July and ending on 30 June the following year.

