

SE Finance
HD **Swiss private equity targets rural assets for \$300m fund EXCLUSIVE**

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WC 742 words

PD 21 March 2014

SN The Australian

SC AUSTLN

ED 1 - All-round Country

PG 17

LA English

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ONE of Europe's largest private **equity** and managed fund investors is in Australia scoping major acquisitions for its new \$US300 **million** (\$332m) specialist agricultural vehicle, the Harvested Resources Fund.

Swiss **firm** Adveq Real Assets, which currently has \$US5.4 **billion** of assets under management worldwide, has already made a major rural **purchase** in Australia through HRF, as part of a consortium that bought 18,000ha of almond orchards on the Murray River near Robinvale last month for \$211m from Olam International.

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Adveq Asia-Pacific head David Seex said yesterday its Harvested Resources Fund had contributed \$37m, or 11 per cent of the **purchase** price of the Australian almond deal, with two major international pension funds, US-based Municipal Employees' Retirement System of Michigan and the \$US57bn Danish Danica Pension Fund contributing the other \$110m of **equity**.

Now the still-open Harvested Resources Fund is looking to make nine other big farming acquisitions worldwide, each averaging about \$US30m, within the next three years.

Mr Seex said all of the nine potential purchases had been identified, with "more than one" being Australian rural assets.

The Adveq chief said that Australian farms were particularly attractive to form the asset base of the HRF, which had already attracted \$US136m in funds, because the land tenure system was secure, land is still relatively cheap,

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infrastructure standards were high and crops were produced in what were off-seasons to the northern hemisphere.

A bonus is Australia's proximity to the emerging mega-market of **China**, which last week was forecast by the Economist Intelligence Unit to **buy** an astounding 59 per cent of all Australia food and rural exports by 2030.

He also rejected suggestions from other corporate investors that had bought Australian farming interests and say it is impossible to make an adequate return on capital investment in Australian agriculture because of the vagaries of the weather.

Adveq locked in an advantageous 9 per cent rental yield on the **purchase**, indexed for uncapped inflation, when it bought the three **million** Victorian almond trees from Olam in February -- and immediately leased them back to Olam, which is now fully owned by the Singapore government fund Temasek Holdings.

“Australia is also an environment where there is high visibility in what we can expect; each transaction tends to be specific about the asset and the crop,” Mr Seex told The Australian yesterday.

“What we are looking for are agricultural products that are highly (linked) to the fundamental food story. This is about the crops and animal products the land produces, not a real estate (speculative) play.”

Mr Seex said other agricultural fields identified by Adveq where Australia had a comparative advantage included beef and **dairy** farming, as well as nuts and olives.

But there are few such farming ventures big enough to have the \$20-\$30m price tag that Adveq is looking for. However, Mr Seex did concede the Harvested Resources Fund has been scoping **dairy** opportunities in Tasmania, where Australia's largest dairying venture, the Van Diemen's Land **company** in northwest Tasmania, is for **sale**.

Other rural opportunities around the world being investigated by Adveq for inclusion in the HRF, which will close off to investors in May this year, include sorghum, grains and other nut crops.

“But it's not just about the crops we like, but the deal on offer,” Mr Seex said. “If the price is attractive, the commodity is right, the returns sustainable and it fits our diversification model we will invest. For example, the almond orchards were a good price at below replacement cost because Olam wanted to restructure its balance sheet.”

Mr Seex said a key factor in HRF's investment focus was to invest in crops and farming systems that required minimal costly inputs such as electricity, fuel, irrigation water and labour, effectively ruling out many horticultural and intensive farming **operations** such as hothouse crops, piggeries and intensive poultry farms.

Farms and raw food production are also the top priority assets being targeted, with downstream food manufacturing or processing assets unattractive, because of the unpredictable nature of future input costs such as **energy**.

Mr Seex believed Australia was well-served by top quality, well-educated farm managers and rural asset managers who can look after local agricultural investments for large global private **equity** players such as Adveq.

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AN Document AUSTLN0020140320ea3l0004o