

SRI LANKA'S FIRST

AGRICULTERRA

AGRICULTERRA REIT (PVT) LTD
THE FARMLAND REIT



IMPORTANT NOTICE

This Overview of Agriculterra Pvt. Ltd. is being provided to a limited, selected and identified number of parties in connection with the proposed REIT. The sole purpose of this Overview is to assist the promoters and managers to source investors. This Report is strictly confidential. Recipients have by the receipt hereof agreed that all information contained in this Report will be treated as confidential and only for the specified person or persons.



AGRICULTERRA

INVESTING WITH A PURPOSE



The Farmland REIT

We firmly believe that carefully selected and well-structured investments in farmland provide a solid and rewarding component of a well-designed portfolio. A component that not only enhances risk-adjusted returns through meaningful diversification but also provides a strong hedge against inflation

“Growing” Money Through Farmland Investments

“Buy land, they’re not making it anymore,” said Mark Twain. The humorist’s words still ring true, especially in regards to farmland. Food and farming are a growing business. The United Nations’ Food and Agricultural Organization reports that food prices increased by more than 100% since 2003. Certain crops did even better. U.S. corn prices, for example, tripled between 2005 and 2012.

Part of the food price rise is due to the shrinking amount of land per capita. Over the past 50 years, half the farmable land was lost to a rising population. This has prompted many investors to “plant” money directly into farmland.

Investing in farmland and forest tracts is sometimes described as “gold with a coupon” - a hedge against inflation, because land prices tend to rise along with overall inflation, that also pays a steady income.

Fundamentals of farmland investment

1. Stable, income producing asset.
2. An excellent hedge against inflation: “during the period from 1941 to 2002, average farmland values increased by almost two percent more than the average rate of inflation over that time period”.
3. Impossible to steal.
4. In limited supply, and decreasing.
5. Fundamental to life.
6. Relatively low risk – the standard deviation of annual rates of return on farmland is lower than for the stock market.
7. Real hard asset – it won’t go to zero.
8. Farmland is a stable income producing investment with inflation protection.



Sri Lanka is an island rich with natural resources and mineral rich soils that are ideal for cultivation

Investing in farmland in Sri Lanka: A great opportunity

Farmland is an excellent long-term investment. We believe the world is in a period of elevated demand for crops due to the combined requirements for “food, feed, and fuel”:

1. The world population grows every year requiring each hectare to produce more;
2. China and India are moving to a high meat diet driving livestock feed demand;
3. Biofuels are diverting crops from food use

Organic agriculture is growing very rapidly in industrialised countries, as consumers are increasingly interested in buying food free of pesticides and other chemicals. But it may have its most important application in developing countries, particularly as the costs of fossil fuels continue to escalate, and as we enter a world where droughts are increasingly common and where water for irrigation is at a premium.

Among producer countries, Sri Lanka maintains a reputation in organic crop production and export different varieties of organic products adhering to Internationale standards. For over a decade, Sri Lanka had exported a range of organically certified products. The country is considered the pioneer in the Asian region, to introduce organically certified tea and cinnamon to the world market. The total area under organic agriculture in Sri Lanka in 2008 was established at 19.191ha (0.81% of total cultivated lands) and this has further increased to 31585ha (1.33% of total cultivated lands) in 2010.

Investing



Statistics also highlight the significant increase in organic production from 4216Mt in 2007 to 41,128.3Mt in 2010 (IFOAM & FiBL statistics).

The Sri Lanka government has increased its support towards organic producers through a number of initiatives

We believe Sri Lankan farmland has some highly unique and useful characteristics - low volatility, low correlations to traditional asset classes, high risk adjusted returns, and reliable cash-flow generation. Taking each of these in turn:

Low volatility: Farmland prices exhibit low volatility in general and in particular when compared to listed equities.

High absolute returns: Farmland typically generates higher returns than listed equities over long periods.

High Risk Adjusted Returns/Sharpe Ratio: The combination of lower volatility with these higher returns leads to one of the most important financial qualities of farmland - high risk adjusted returns or Sharpe Ratio.

Correlation: Farmland has a low correlation to traditional retail investments - public equities and bonds and commercial real estate. Most of these traditional retail investments are exhibiting high positive cross correlations so it is very difficult for investors to construct diversified portfolios with the mainstream options. So for investors looking for genuine diversification, allocations to non-traditional and uncorrelated sectors like farmland continue to grow in appeal.

Convergence: Land in Sri Lanka is an undervalued asset, its price takes a low rank among land prices of other South-East Asian countries. The natural price convergence creates attractive potential for appreciation of more than 10% annually.

Cash flow: By leasing the land to farmers, an investor in farmland can look forward to reliable cash-flow (about 5% - 7% gross pa) without operational risk. In addition, as cash-rents tend to track land prices with a lag, farmland investment cash-flows tend to be inflation hedging themselves.

Agriculterra

Introducing AGRICULTERRA: Sri Lanka's first Farmland REIT

Agriculterra invests in arable farmland in Sri Lanka and converts the land to organic farmland.

The land is managed by Puttalam farms Pvt. Ltd., with the aim of capital growth. The tenancies are managed by the Property Advisor, Expatkey Properties Pvt. Ltd., and the land is farmed by tenants who grow organic crops or rear organic livestock. Expatkey Properties Pvt. Ltd., the farm asset manager, set up and run Agriculterra to meet the specific requirements of investors with appropriate farm assets. Agriculterra is managed directly through Expatkey Properties Pvt. Ltd., and with specialist contractors so the investors' assets will benefit from a professionally run trading business.

Land is purchased at prices supportable by the yield from the trading businesses. Agriculterra approach is differentiated by not being a speculative play on an asset class. The approach is to create sustainable investments supported by sustainable businesses.

Sri Lankan farmers - be they owners, tenants seeking to buy out landlords, or contractors - have a constant need for investment in their assets and businesses. Our approach will allow us to grow a large network of farmers with whom, when funds allow, we can review investment opportunities.

Our efficient single purpose fund structure allows us the financial headroom to manage less intensively and more sustainably than others which enhances the opportunity to produce returns ahead of cost and to reflect specific investor interests, where expressed.

The management company plans on acquiring more farmland, which is where investors will be rewarded. The addition of more land is needed for Agriculterra to diversify geographically and by crop type. Through acquisitions Agriculterra may also diversify into fields like feedstocks, distribution centers and eco-accommodation on farmlands.

All assets acquired under Agriculterra will be converted to organically farmed lands, and all will be managed within sustainable long-term welfare and food chain standards. Agriculterra REIT's management practices have a positive social and environmental impact while generating competitive returns.



As Long-Term Farmland Stewards, we hope to create opportunities

For Farmers

of premium quality crops and livestock to expand their production to meet customer demand, without having to go into debt to buy land;

For Investors

to benefit from owning professionally managed farmland through increased value of the land, produce, and animals;

For everyone else

to enjoy the benefits of less chemicals in our air, water, and food; more carbon sequestered in the soils; more biodiversity of birds and other creatures visible to the naked eye, as well as the invisible but extraordinary microbial life under the soils; and more high quality, less expensive, sustainably produced, locally grown food.



Benefits of organic farming

Organic farming has been one the fastest growing segments of agriculture in the U.S. and other parts of the world since the early 1990s. Organic agriculture is growing very rapidly in industrialized countries, as consumers are increasingly interested in buying food free of pesticides and other chemicals. But it may have its most important application in developing countries, particularly as the costs of fossil fuels, and the fertilizers and pesticides derived from them, continue to escalate, and as we enter a world where droughts are increasingly common and where water for irrigation is at a premium.

While today's large-scale food producers continue to profit and consumers see supermarket shelves overflowing with farm products, the unseen costs of our dependence on agribusiness exert a mounting toll. Farmlands have become increasingly dependent on chemical fertilizers, which have short-term benefits but contribute to soil depletion over time. Water retention is diminished in non-organic farmland, resulting in erosion of topsoil with chemical residues entering watersheds. We, consumers, have quietly accepted these changes in farming practices as the cost of feeding a growing nation, and because there seem to be no practical alternatives.

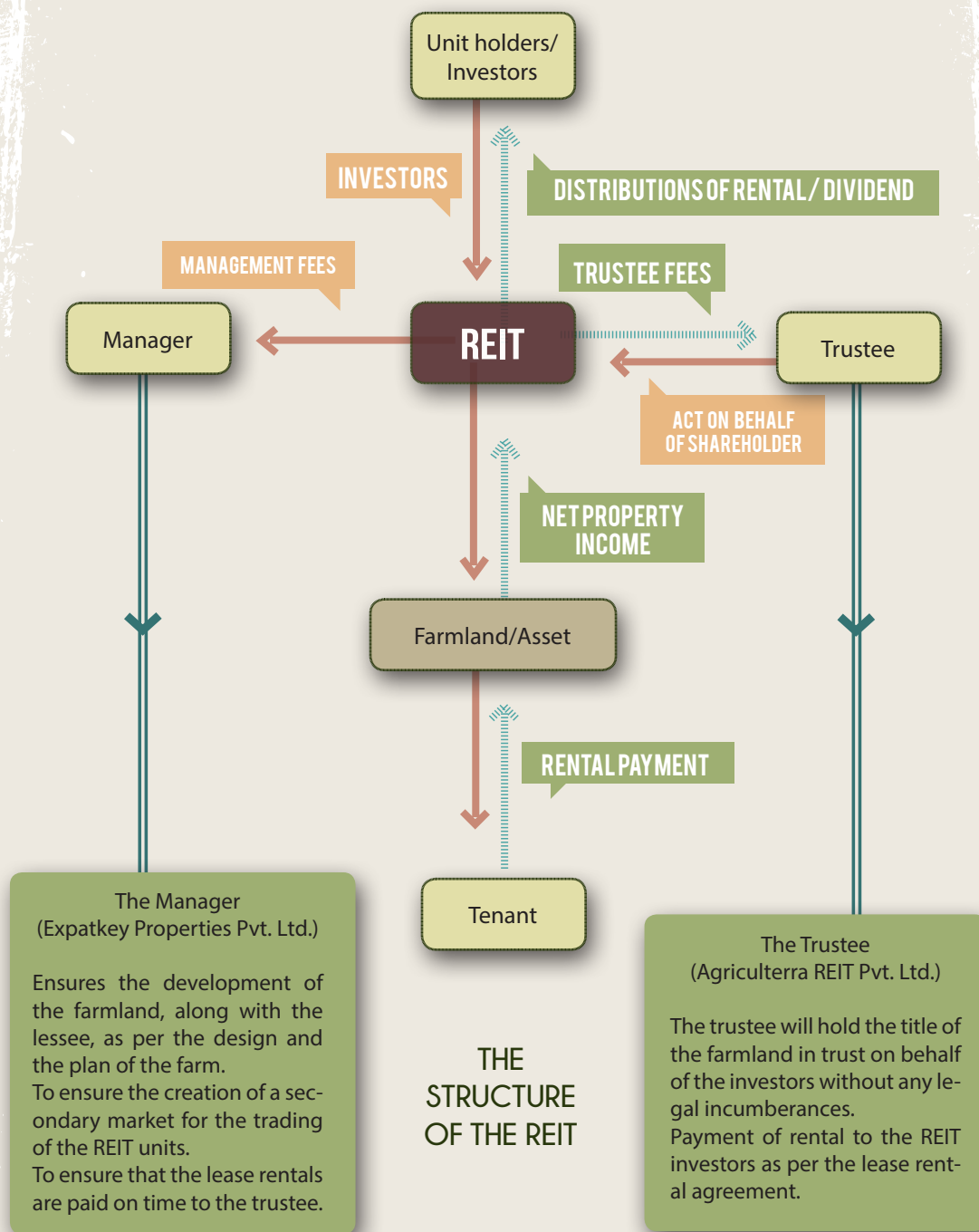
Recent experiments in small organic farming practices, and the release of a 30-year side-by-side farming study by the Rodale Institute, have shown this reasoning to be fundamentally flawed. Organic farming, both large and small scale, is more productive than 'conventional' chemical-dependent farming. Organic farming is not only the best way to feed the world – it is the only way to feed the world in a sustainable way. Organic, and various integrated and mixed farming systems, are capable of producing yields that approach, or even exceed, those of conventionally-managed systems, particularly during times of drought. And they can do so over large scales and with greater energy efficiency.

Growth of Organic Agricultural Land over the past decades

According to the latest figures from the Research Institute of Organic Agriculture (FiBL) and the International Federation of Organic Agriculture Movements (IFOAM), organic farming is practised in 162 countries. In 2011, 37.2 million hectares of farmland were managed organically and organic farming had a 0.86 per cent share of agricultural land surveyed. The organic agricultural land increased by 0.63 million hectares or six percent in 2012. The countries with the largest organic areas of farm land are Argentina, the US and Australia.

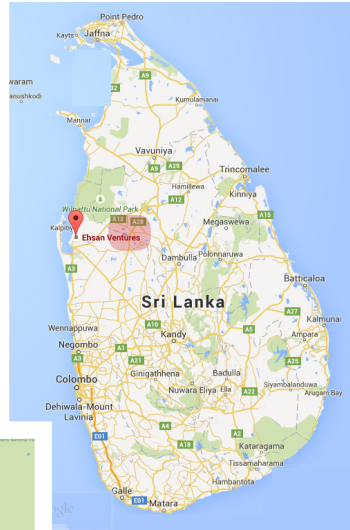
Legal Entity	AGRICULTERRA REIT PRIVATE LIMITED
REIT Investments Objective:	The objective is to enable investors to make a cost-effective and passive indirect investment in a Sri Lankan farm via a REIT.
Offer:	The offer is for 14,000 units in the REIT, at an issue price of LKR 10,000/- per unit with a provision to issue a further 2,000 units at a unit price of 10,000.
Minimum Investment:	1 unit at an issue price of LKR 10,000 per unit.
Payment for units	Payment for the units subscribed for is due in full at time of subscription.
Allocation of units:	Units in the Offer will be allocated to Investors by the Managers, through the Trustee, at the Manager's sole discretion. In the event that scaling is required, priority will be given to applications that are received early in the offer period. Scaling may be required if the REIT is over-subscribed.
Distributions:	The REIT rental distribution policy is to pass on 85% of the rental to the Investor. The minimum that the investor would receive is 5% of the unit value at the time of subscription, and the incremental rental as per the lease agreement with the lessee. The rental will be paid quarterly to the Investors in the REIT.
Share Liquidity:	The REIT will be marketed and managed by EXPATKEY PROPERTIES who will be the Managers to the REIT. The managers will endeavour to create a secondary market for Investors so as to facilitate exit and liquidity for Investors in the REIT.
Brokerage:	The Managers will charge a brokerage fee of 1% on the sale of units in the secondary market.
Manager:	The Manager- EXPATKEY PROPERTIES – has been in the real estate business for the last 13 years and has built a brand and a n outstanding reputation in the real estate industry in Sri Lanka.
Reporting:	Progress of the farmland REIT will be reported to the Investors on an annual basis.
Promoters:	EHSAN VENTURES PRIVATE LIMITED
Fees:	The Managers of the REIT will recover all cost pertaining to the management of the REIT from the rental. The rental yield will be a minimum of 5% per annum to the investor.
Trustees	AGRICULTERRA REIT PRIVATE LIMITED

Share offer



Puttalam Farms Pvt. Ltd
62, Lauries Road,
Colombo 04, Sri Lanka
+94 (0) 11 753 3516
hello@puttalamfarms.com

Farm Site (32 acres)
Puttalam Farms Pvt. Ltd.,
6th mile post
Redbarna Junction,
Puttalam-Mannar Road,
Puttalam



Contact

AGRICULTERRA

The Manager

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