



CZECH FARMLAND FUND



"Buy land, they´re not making it anymore."

Mark Twain



Why Invest in Farmland?

Farmland is the foundation

- It is the basic and irreplaceable factor of production
- It is a tangible asset, not some financial construction
- Its value is based on the ability to produce food (one cannot feed from gold)
- In terms of international comparison Elbe basin and Moravia have highly fertile soil
- The volume of arable land is diminishing in the Czech Republic as well as internationally, whilst the consumption of food is rising

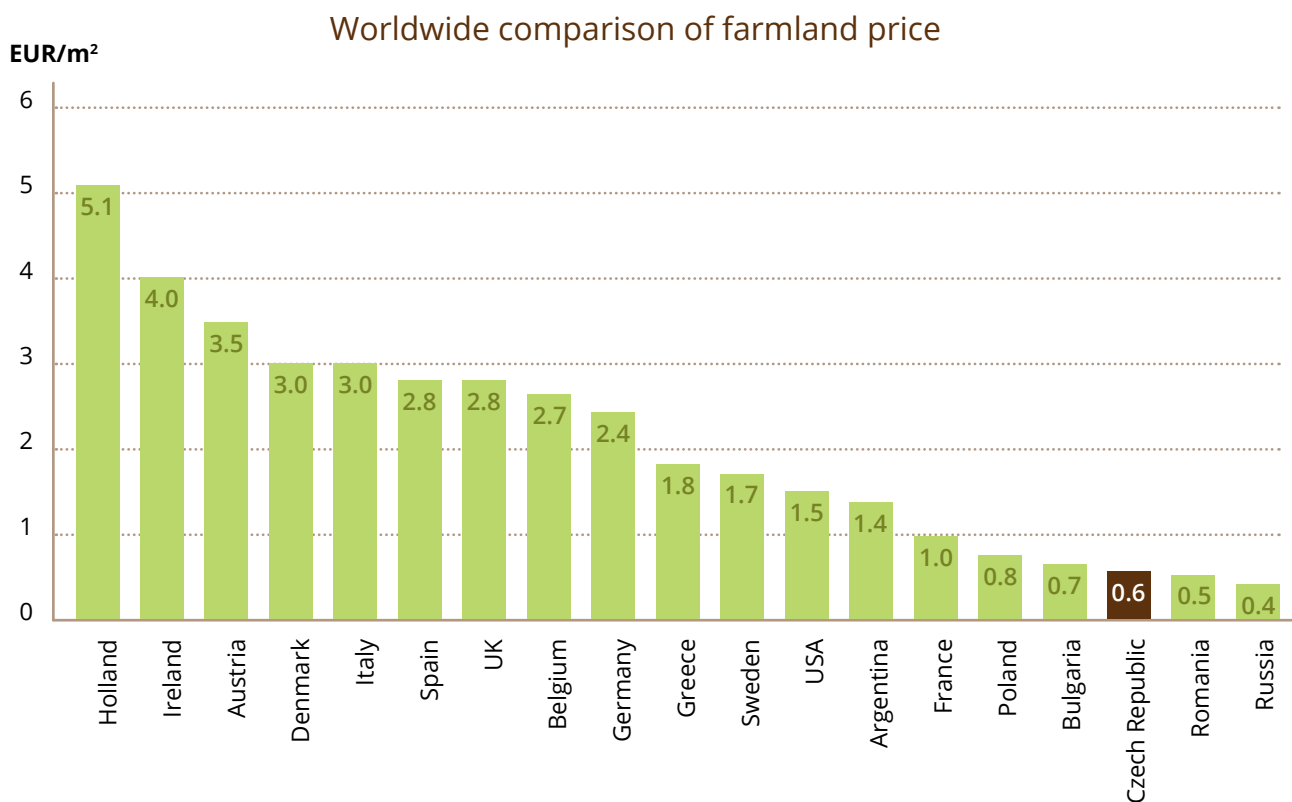
Why Invest Right Now?

Czech farmland is a unique investment opportunity

Fragmented ownership	Farmers in profit	Rising food consumption
<p>Current negotiating position of farmland owners is weak due to the lack of unity. They compete with large farms, oversized by European standards, whose majority of land is rented. This is why it is possible to buy farmland cheaply however the position of the Fund as a majority farmland owner is fundamentally changing today's market.</p>	<p>Czech agriculture was at a disadvantage before entering EU as subsidies in the EU were considerably higher. In time they have balanced out and the sector has caught up with the deficiency in technology. Farmers can now use strengthening cash flow to resolve the most critical point of their business – land ownership.</p>	<p>The real prices of agricultural commodities have maintained a high level since the price hikes of 2008 in contrast to the previous decades of slow continuous price decline. Those interested in agriculture know very well that many agricultural activities in the Czech Republic are nowadays profitable even without subsidies.</p>
Good investment opportunity	Higher demand for farmland	Higher yield

Attractive farmland purchase price

The price of Czech farmland is 3 – 13 times lower than it is in Western Europe.
For comparison in 2014 we managed to purchase farmland at average price of **0.5 EUR/m²**.



Source: Eurostat, Savills, Centre for European Studies, own research, 2012–2013

Why Invest in Czech Farmland Fund?

The Fund reacts to market opportunity and handles risk and obstacles which an individual investor could only face with great difficulty on their own

From the distance it looks very simple. I buy farmland, rent it and that's it. However no two plots are the same, nor are the two farmers... Slowly but surely factors like the following surface: quality of soil, erosion, fertility maintenance, legal risks, cadastral records, taxes, plot adjustments, subsidies etc. Eventually when one becomes familiar with these aspects, the law changes. More so the market knowledge cannot be taught. Our investments are therefore based on the experience of a wide team of experts – agronomists, lawyers, geodesists, traders, soil experts, economists, tax specialists and many others. We are fully aware that not many investors have time to absorb all this detail. Nevertheless farmland shall be part of a well balanced investment portfolio.

The ability of the Fund, now an important market player, to compete with large agricultural companies and to consolidate ownership of small farmland plots is equally important.

How do we add value?

- 1) We buy thousands of low-rent small plots from individual owners.
↓
- 2) We unite small plots into larger ones and negotiate considerably better rental conditions.
↓
- 3) The value of larger plots with better rental yield is growing. Hence the value of your investment is growing too.

Basic Characteristics of The Fund

Fund name	Czech Farmland Fund
Investment horizon	6 years plus
Investment strategy	Highly conservative Farmland ownership as main investment target Focused on the highest quality Czech arable land, mainly black fertile soil in Elbe basin area Experienced farmland management Targeting premium yield from ownership and geographical unification
Total targeted yield	6 – 10% per annum
Dividend yield	Targeted payout of dividends is 1/3 of the total yield
Legal entity	Independent open mutual fund for qualified investors under the umbrella of Český fond SICAV Plc, a self-managed investment fund with variable capital
Securities	Freely transferrable bearer securities
Minimum investment	125,000 EUR
Investment company	Český fond SICAV Plc, self-managed investment fund
Regulatory	Maltese Financial Services Authority, Malta
Supervision	Conseq Investment Management, a.s.
Transfer Agent	Conseq Investment Management, a.s. for the Czech and Slovak markets
Administrator	Valletta Fund Services Limited, daughter company of Bank of Valletta
Legal and regulatory adviser	KPMG
Auditor	KPMG
Tax advisor	Clifford Chance
Entry fee	3%
Management fee	1% p. a.
Participation in profits	20% from share value for the Fund management
Exit fee	0%
Termination of investment	Due to the investor protection, share resale with 12 months´ notification is possible and 20% early redemption fee is calculated from share value in case the investor applies for resale earlier than 5 years after the shares purchase



Frequently Asked Questions

How do I decide whether investment in the Czech Farmland Fund is suitable for me?

Investing in farmland is suitable mainly for long-term, conservative investors. Those who invest in farmland often think in terms of owning an asset well into retirement and to pass such asset to their children or grandchildren through their inheritance. Farmland is a very stable investment that does not fluctuate in value.

What if higher inflation comes?

Farmland, just as other real assets, is typically a very good protection against inflation as it grows in value along with the inflation. In this respect, farmland is totally different from bank deposits, bonds or shares. Especially in the worst case scenario of uncontrolled hyperinflation, farmland offers security. Even if the government crosses out three digits on banknotes and devaluates the currency, farmland is still there as mankind always needs food.

What return shall I expect?

Rental yield on farmland purchased in the Fund is currently between 2-3%. Strong market position of the Fund and good profitability of farmers opens room for rental growth. However we are also

expecting growth in price of currently relatively cheap farmland. Altogether we anticipate long-term return in the Fund in the region of 6 -10% p.a. A lower return than 6% p.a. would be considered a disappointment, return higher than 10% p.a. can be achieved in shorter periods of time when farmland prices soar.

When can I join the Fund and when can I leave it?

One can invest in the Fund at any time. As the Fund is represented in the Czech market by Conseq Investment Management, you can buy shares of the Fund in the same fashion as shares of the other administrators which you can find on www.conseq.cz. Prices of farmland are currently growing so by investing sooner one can expect higher return than by investing sometime in the future. Should you wish to terminate your investment the Fund will buy your shares back. Please be aware that this is a long-term investment, minimum of 6 years. As the Fund investor protection is paramount, there is a 20% early redemption fee calculated on current market value for withdrawals made within the first five years of the investment. After this five year initial period there is of course no redemption fee charged.

Why should I invest in the Fund now?

We are convinced that a considerable difference in price of farmland between the Czech Republic and i.e. Austria or Germany will be converging. We are not alone – the market is witnessing influx of significant financial and strategic investors – their interest will inevitably push the prices up. Current investors in the Fund are, in our opinion, still buying land at favourable rates.

Is it not better to purchase land directly rather than investing in the Fund shares?

Yes it is. However a 20 hectare plot of rich soil worth EUR 80,000 is simply not available. 99.9% of farmland plots in the Elbe basin are smaller than half a hectare. So to invest around EUR 180,000 one has to buy 100 plots. Large plots are generally not for sale and if so, the price is severalfold higher. This is the reason why the Fund was set up, to buy small farmland plots with the view of profiting from their unification.

Is the Fund reliable from long-term perspective?

Amongst the investors, who we helped to buy farmland and who are now investing in the Fund, are our family members, friends, and acquaintances. The management invests our savings in the Fund too.

Furthermore there are **six points of independent control:**

1) Administrator: is responsible for accounts, calculates the shares' market value, controls the statute conformity, participates at board of directors' meetings.

2) Independent board member: controls the statute conformity, gives independent opinion on fundamental decisions made by board of directors, controls regulatory conformity and compliance issues.

3) Auditor: controls the accounts, mainly with focus on methodology of pricing the market value of the Fund.

4) Regulator: approves expertise of the board members, statutes and their changes, deals with shareholders complaints.

5) Supervision: controls the declared Fund's assets, conformity of the Fund and its investment strategy.

6) Payment administrator: keeps the record of shareholders, settles shareholder's payments and dividends.

At what price can I get farmland and when?

In simple terms it is possible to say that the minute you invest in the Fund you are acquiring ownership of farmland at EUR 0.50 per sqm. To invest EUR 200,000 privately at those prices is virtually impossible and any other method will take you months.

Who is behind the Fund and what is their experience?

The fund is managed by the investment committee whose members have many years of experience with investment banking, farmland trading and management. The Fund is closely cooperating with a farmland management company which has a strong track record, having purchased and managed farmland worth EUR 30,000,000 for 60 private investors. With our highly specialised team, we already have been successfully investing in farmland for 7 years.





Czech Farmland Fund Management

Ing. Marek Smýkal

Is founding partner of the Czech Farmland Fund. Since 2010 he is also Managing Director of Farma Polabí s.r.o. Farma Polabí is a group of companies with various investors investing in Czech arable soil making this group now the largest private owner of farmland in Labe lowland region. For the last 15 years Marek worked in various international banking institutions at various leading positions in the field of corporate banking and capital markets. He has ample experience with investment products. Before joining Farma Polabí Marek worked as a head of corporate banking in BNP Paribas Fortis Prague branch, prior to that he worked in Deutsche Bank and ING Bank. Marek graduated from Economics and International relations at University of Economics in Prague, Czech Republic.



Martin Burda, MBA

Is founder of investment advisory company Sirius Advisory and one of the managing partners of the Czech Farmland Fund. Before founding CFF, Martin was in the position of general director for Investment Company at Ceska Sporitelna Bank for several years. During his career he also worked as main portfolio manager at ING Investment Management (C.R.). Under Martin's management back in 1998 ING fund became the best performing offshore bond fund in the world. Martin was also a long-term Chairman of the Czech Capital Market Association. He graduated with Master's degree from Faculty of Mathematics and Physics at Charles University in Prague, later achieving MBA degree at University of Pittsburgh.





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www.fondpudy.cz