

Market Check

Pool Schedule

Strategic 12 Pool 17/18



12 October 2017

The Strategic 12 Pool offers participants the opportunity to participate in a sophisticated post-harvest marketing strategy. The program is open to contracting from the beginning of harvest through to the end of harvest, with final payments made in the following November (at latest).

The Strategic 12 Pool is open to receivals of **wheat and barley**, delivered into warehousing managed by a storage provider approved by Market Check. Market Check reserves the right to exclude certain grades if it is deemed they would be detrimental to the performance of the pool.

Participants commit to deliver physical grain into title of AgRisk Management.

Market Check retains discretionary right to close the operations of the Strategic 12 Pool at any time to protect participant returns.

Grain Marketing:

The Strategic 12 Pool operates under a responsive and flexible strategy that best applies to market conditions and the program's extended time offering. As such, there is no mandated sale level at any point in time during the program.

The Strategic 12 Pool may use a combination of exchange listed futures and options contracts, over the counter (OTC) derivatives; forward/track and/or delivered sales, and stock swaps.

All grain sales are credit insured by a leading credit insurer.

Grower Payments:

The Strategic 12 Pool offers participants three payment options. Participants who fail to nominate a payment option are allocated payments per the Distribution schedule.

Advance payments: Advance payments are available, amounting to 60% of the prevailing market price, and are paid on the 15th and 30th of the harvest months (Nov, Dec & Jan), after title has been transferred to AgRisk Management Pty Ltd. The amount advanced (plus interest) is reduced when the standard distributions would have been paid. Financing costs will only be charged on outstanding advance amounts. Once advance payments and finance costings have been paid in full, additional cash payments will be made to participants. E.g. an advance of 60% will be repaid as per the distribution payment schedule. It would be fully paid by July (20% in March, 20% in May, 20% in July).

Market Check reserves the right to accept or decline participants' request to receive advance payments.

Distribution payments: Payments are made as Market Check sells grain into the physical market and proceeds are cleared.

Deferred payments: Payments are able to be deferred, either in full or partially, until July of the following year, with an appropriate credit applied to the deferred payment that reflects foregone interest earned over the deferred period.

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Distribution					20%		20%		20%		20%		20%
Advance 60%	60%										20%		20%
Deferred									60%		20%		20%

*Market conditions and proceeds to date will determine how much is available in these tranches.

*Market Check reserves the right to make earlier payments to participants

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Strategic 12 Pool Costs:

All standard costs including storage, EPRs and levies, along with insurance and financing costs are deducted from payments.

Market Check's management and administration fee is \$7.50 per tonne (excl GST).

Market Check deem the management fee to have been earned at the time the contract confirmation is issued, and it will be deducted from the initial payment.

Strategic 12 Pool Returns:

Payments received by participants include all premiums and discounts particular to their storage site, i.e. the return to the grower is site specific, not simply a port price minus GTA location differential. This will be calculated using the average spread for each grade vs all other sites over the duration of the program, weighted by inventory levels.

Participant returns are indexed based on market conditions at the time of entry into the Strategic 12 Pool. Because of this, there is potential for two growers delivering 'like' parcels on different days to receive different program outcomes. Scaled returns based on the time of entry provide the 'fairest' and most equitable returns to participants, i.e. it better reflects the outcome of a grower implementing a similar strategy themselves on that entry date (entrants at high market prices don't subsidise entrants in a lower price environment).

Each payment made to participants will be accompanied by a Receipt Created Tax Invoice (RCTI) and a payment advice.

Final returns are determined using the items described above, as per the following calculation:

Final Return = Tonnage x (Total pool sale proceeds per tonne – Strategic 12-Month Costs as above +/- Site prem/disc +/- Hedge credit/debit +/- Time of entry indexing)

Strategic 12 Pool Risks:

Counterparty risk: the seller acknowledges that Market Check is selling the grain delivered under this Strategic 12 Pool contract and will receive payment from a third party. In the event that third party defaults on payment to Market Check due to insolvency, the seller acknowledges that Market Check's payment obligation under this contract will be limited to the proceeds of any insurance claims made by Market Check (estimated at approximately 90% of the sale price). Any issues around credit exposure are shared by all participants.

Market risk: Market Check will endeavour to maximise grower returns, however market risk does exist given the long-dated structure of the pool and therefore minimum returns for grain in this program cannot be guaranteed.