

# Frequently Asked Questions

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## PART 1

### Questions about DAF



#### **Q. What is DAF, and what does it do?**

**A.** DAF is a unit trust established February 2002 designed to provide investors with exposure to a diversified portfolio of agricultural assets, with a bias towards agricultural property and infrastructure holdings. Through the construction of its portfolio, DAF aims to provide investors with a mix of quarterly income distributions and capital growth.

DAF's largest investor, Great Southern Limited (GSL), entered voluntary administration and had receivers and managers appointed in May 2009. The Receivers now wish to realise this investment. RFM, as the responsible entity for DAF, has negotiated a special redemption of the GSL held DAF units for a significant discount to their Net Asset Value (NAV). DAF is therefore undertaking this capital raising to provide funds for the redemption.

DAF's largest investment is in RFM RiverBank (RiverBank). RiverBank's most significant lease party, a GSL subsidiary, has been placed into receivership. In response to this situation, RiverBank is raising money so that it can operate the assets, being semi-mature almond orchards, whilst it identifies a new lease counterpart and complete its asset acquisition process. By operating the assets, RiverBank will protect the value of the assets it has established which in turn protects the value of DAF's investment. RiverBank will also use some of the monies to remove the insolvent counterpart from any influence or control it has over RiverBank.

#### **Q. What else is RFM doing to assist DAF?**

**A.** The largest investment of DAF is in RiverBank. RiverBank is also releasing a Product Disclosure Statement (PDS). Monies raised under the RiverBank offer will assist RiverBank in redeeming some of units held by DAF. The funds DAF receives from this redemption will assist it in the redemption of units held by GSL. RFM is seeking to raise an aggregate of \$25m between the two offers.



*This guide has been prepared by Rural Funds Management Ltd (RFM) the Responsible Entity of the DAF. It relates to the Product Disclosure Statement issued by RFM dated 4 November 2009 (Offer). Please contact your financial adviser or RFM Investor Services if you require further information.*

**Q. What do I need to do if I am an existing DAF investor?**

A. If you already own units in DAF you have the right to acquire additional units. The number of units you can acquire depends on how many you own. You have the right to acquire an additional one unit for every 1.41 units owned. For example, if you own 10,000 units you have the right to acquire an addition 7,092 units. Each unit will cost you \$0.6929. The Offer opens on 4 November 2009, and closes on 27 November 2009. Make sure you read the PDS and have your application form and monies to RFM by the 27 November 2009. RFM cannot guarantee you will receive your rights after this date.

**Q. I am not an existing DAF investor but want to invest. What do I need to do?**

A. If units remain available after subscriptions from existing investors, DAF will allow new investors to apply for units at the same discounted price. The public offer opens on 30 November 2009 and will remain open until fully subscribed or 30 April 2010, whichever occurs first. New investors should read the PDS and complete the attached application form.

**Q. What is the issue price for each unit?**

A. Under this Offer, units will be issued at a price of \$0.6929, which represents a 30% discount to the 1 July 2009 NAV and incorporates a 3% buy spread, adjusted for average distributions.

**Q. Why is the Offer being made at a discount?**

A. The Offer is being made at a 30% discount to DAF's net asset value to make it very attractive to existing and new investors. This is necessary firstly to remove DAF's largest investor, GSL, who has a controlling interest in DAF. GSL is in receivership and looking to redeem its investment. Likewise, DAF's major investment, RiverBank, finds itself in an exceptional situation with GSL as an insolvent lease counterpart. The transaction describe in part 2 will remove GSL as an investor and as a lease counterpart.

**Q. Will I be diluted if I don't take up the Offer?**

A. Provided the Offer is successful, you won't be diluted. This is because the transaction to remove the GSL holding is occurring at an even greater discount than 30%. If the Offer is not successful however, it is highly likely that DAF's major investment, RiverBank, will need to sell assets and given the current economic environment, this may be at lower than book value therefore negatively affecting DAF's NAV.

**Q. How has DAF performed to date?**

A. DAF's performance over the last 5 years has averaged 7.03% p.a.

**DAF financial year returns**

	2009	2008	2007	2006	2005
Distribution	4.81%	7.35%	7.63%	8.05%	7.94%
Growth	-6.32%	3.63%	2.15%	-0.25%	-2.13%
Total Return	-1.51%	10.98%	9.79%	7.79%	5.80%
Grossed Up Distribution <sup>1</sup>	5.41%	8.61%	8.57%	8.05%	7.94%
Grossed Up Total Return <sup>1</sup>	-0.90%	12.25%	10.73%	7.79%	5.80%

<sup>1</sup> Effective return including franking credits distributed to Unitholders.

**DAF rolling returns to June 2009**

DAF (as at 30 Jun 09)	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr <sup>2</sup>	3 Yr <sup>2</sup>	4 Yr <sup>2</sup>	5 Yr <sup>2</sup>	Inception <sup>2</sup>
Distribution Returns	0.00%	0.00%	1.60%	4.81%	6.02%	6.54%	6.92%	7.12%	5.64%
Growth Returns	-6.42%	-4.07%	-6.14%	-6.32%	-1.47%	-0.27%	-0.27%	-0.64%	-0.29%
Total Returns	-6.42%	-4.07%	-4.54%	-1.51%	4.55%	6.27%	6.65%	6.48%	5.35%
Grossed Up Returns <sup>1</sup>	-6.42%	-4.07%	-4.54%	-0.90%	5.47%	7.19%	7.34%	7.03%	5.74%

<sup>1</sup> Effective return including franking credits distributed to Unitholders.

<sup>2</sup> Rolling annualised figures.

**Q. What is the minimum amount to invest and what is recommended timeframe?**

**A.** For new investors, the minimum investment is \$10,000. You should consider this investment over the medium to long term - five or more years.

**Q. Will there be franking credits & tax deferred income and how are they dealt with?**

**A.** DAF is a public trading trust. This means it is taxed like a company and any franking credits or tax deferred income are passed direct to investors. They will form part of your return. For the 2010, 2011, and 2012 financial years, the income distributed by DAF is expected to be 100% tax deferred. After this period, DAF is forecast to pay tax. Any tax paid will flow through to investors in the form of franking credits.

**Q. What fees are charged to my account when I invest?**

**A.** If you choose to invest in the fund, you will incur the following fees:

- Contribution fee of up to 3% of the funds invested. If payable, this fee is deducted from the Application Amount on the issue of Fund Units.
- Incorporated into the unit price of \$0.6929 is an amount to cover the costs of the promotion and distribution of the Offer. RFM estimates that these costs will be approximately 3% of funds raised.

**Q. Are there any other fees or expenses I should be aware of?**

**A.** The following fees and expenses are not deducted from your account, but are deducted by RFM from DAF's assets.

- DAF's constitution allows RFM, as the responsible entity of DAF, to charge a management fee of 2.50% p.a. of the gross value of DAF assets plus be reimbursed ongoing expenses. RFM has instead adopted a 'general operating cost' approach which is currently limited to 2.5625% p.a. of the net assets of DAF and includes general fund management fees and normal ongoing expenses
- A Performance fee of 20.5% payable to RFM of any DAF performance that exceeds 9.0% p.a. since the last performance fee payment (i.e. DAF has to make up any past underperformance before a performance fee is paid).
- An Arranging fee of 4.1% of the difference between the DAF NAV as at 1 July 2009 and the Redemption Price offered to GSL. This fee is to compensate RFM for the development and negotiating of the various complex elements of these transactions.
- RFM expects that it will be paying or reimbursing financial advisers a fee of approximately 3% of the funds raised. RFM is entitled to recover this cost.

**Q. If I invest in the fund units, can I sell them later on?**

**A.** DAF is currently illiquid, and there is no established market for the sale of units. RFM intends to provide an annual redemption offer commencing 2011.

**Q. Can I sell my units privately to someone else?**

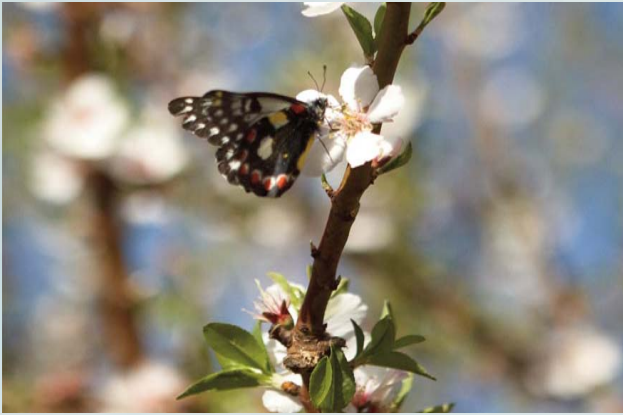
**A.** Yes. Transfers will still be processed. You can download the Standard Transfer form from RFM's website: [www.ruralfunds.com.au](http://www.ruralfunds.com.au).

**Q. When will the Fund pay a distribution?**

**A.** DAF intends to pay quarterly distributions. You will need to be a Unitholder on the record date (31 March, 30 June, 30 September and 31 December) to receive a distribution.

## **PART 2**

### **Questions about the transaction**



#### ***Q. Why is DAF redeeming units owned by GSL?***

**A.** DAF's largest investor, Great Southern Limited (Receivers and Managers appointed), wants to dispose of units that they own in DAF. It is important that this happens because GSL has a controlling interest and could cause a wind up of DAF.

#### ***Q. What will the money raised under the Offer be used for?***

**A.** The money raised under this Offer will be combined with the money raised under the RiverBank Offer and used for three main purposes:

1. Redeem the DAF units that GSL owns at a significant discount.
2. Maintain the orchards RiverBank has developed to protect the value of RiverBank and thus DAF's assets. This is the lessee's responsibility however the lessee is insolvent.
3. Complete RiverBank's asset acquisition process by acquiring Moorall property and associated water entitlements. RiverBank established a large scale orchard on this property in 2006 & 2007. RiverBank currently leases this property. Acquiring this property will provide RiverBank with significant capital growth.

#### ***Q. What needs to occur before RFM will issue my Units under the Offer?***

**A.** There are five conditions that need to be fulfilled prior to RFM issuing any Units under the Offer. These conditions are in place to protect RiverBank investors.

1. As part of the GSL Receivership process, RFM has been offered for sale. To provide additional protection to incoming investors under this Offer, no Units will be issued until the RFM divestment from GSL has occurred.
2. To provide stability to DAF's main asset, RiverBank, it is necessary to replace GSAH as a lease counterpart. RFM must be appointed responsible entity of the Almond Projects.
3. In order to remove GSL control over DAF and RiverBank through its majority ownership, consent to redeem RiverBank Units owned by DAF and DAF Units owned by GSL must be obtained from the Receivers and Unitholders via constitutional changes to RiverBank and DAF respectively.
4. RFM must appoint a majority of experienced external directors.
5. RiverBank wishes to acquire the Moorall property. RiverBank must secure an extension of its current banking facility to facilitate the acquisition of Moorall.

## PART 3

### Questions about the Manager (RFM)



#### Q. Who is RFM?

A. Rural Funds Management Ltd is the responsible entity of DAF. It is a boutique fund and farm manager that was established in 1997 and now manages over \$300m of assets in rural and regional Australia. The management team consists of specialist fund managers, viticulturists, livestock managers, agronomists and land acquisition specialists. This team provides RFM with the specialised skills and experience required to manage the agricultural assets in which DAF invests.

#### Q. Who is RFM owned by?

A. RFM was established in 1997 by David Bryant. Up until 2007 it was owned by the Directors and management team. In 2007 it was acquired by Great Southern Ltd (Receivers and Managers appointed) and its name was changed to Great Southern Funds Management Ltd. In July 2009, the company was renamed Rural Funds Management Ltd as the first step in separating the company from Great Southern Ltd. The receivers of Great Southern are seeking to sell RFM and no units will be issued under the Offer until the ownership of RFM has been resolved. RFM has agreed the commercial term with the Receivers for this transaction.

#### Q. Is my investment at risk?

A. Investing always involves risk, and Section 6 of the DAF PDS explains the specific risks relating to DAF. We understand money is hard to come by, so capital preservation is at the forefront of our investment philosophy and strategy. As an agribusiness investment, the performance of DAF is not generally aligned with the performance of the equities or property market. For example, during the current global financial crises, DAF has been able to deliver competitive returns when many other asset classes have suffered a significant deterioration of returns and capital.

*This information should not be considered financial product advice as it does not take into account a potential investor's particular investment objectives, financial situation and needs. Rural Funds Management Limited holds Australian Financial Services Licence No. 226701 and is the issuer of the RFM Diversified Agribusiness Fund ARSN 099 573 627 Product Disclosure Statement (PDS) dated 4 November 2009. A person should obtain and consider the PDS before deciding any investment decision.*