Great Southern Rural Opportunities Fund ARSN 099 573 627
Fund Update - May 2009

Investment Objective

The GS Rural Opportunities Fund's (ROF) objective is to provide investors with exposure to a diversified portfolio of agricultural assets, with a bias towards agricultural property and infrastructure holdings, designed to deliver returns through a mix of both growth and distributions.

The ROF is currently closed to new investment.

Performance Update

Past performance is not a reliable indicator of future performance.

Returns (as at 31 May 09)	1 mth	3 mth	6 mth	1 yr	2 yr*	3 yr*	4 yr*	5 yr*	Inception*
Distribution Returns	0.00%	1.70%	3.38%	7.21%	7.48%	8.00%	7.99%	8.06%	5.76%
Growth Returns	1.80%	-0.05%	-0.33%	4.93%	1.34%	0.63%	-0.08%	0.67%	0.67%
Total Returns	1.80%	1.65%	3.05%	12.14%	8.82%	8.63%	7.91%	8.73%	6.43%
Grossed Up Returns[1]	1.80%	1.65%	3.05%	13.47%	10.17%	9.55%	8.59%	9.27%	6.82%
CPI + 5% (as at 31 May 09)	0.45%	1.35%	2.29%	7.47%	8.35%	8.04%	8.03%	7.89%	7.84%
Value Added/Subtracted	1.35%	0.30%	0.76%	6.00%	1.82%	1.51%	0.56%	1.38%	-1.02%

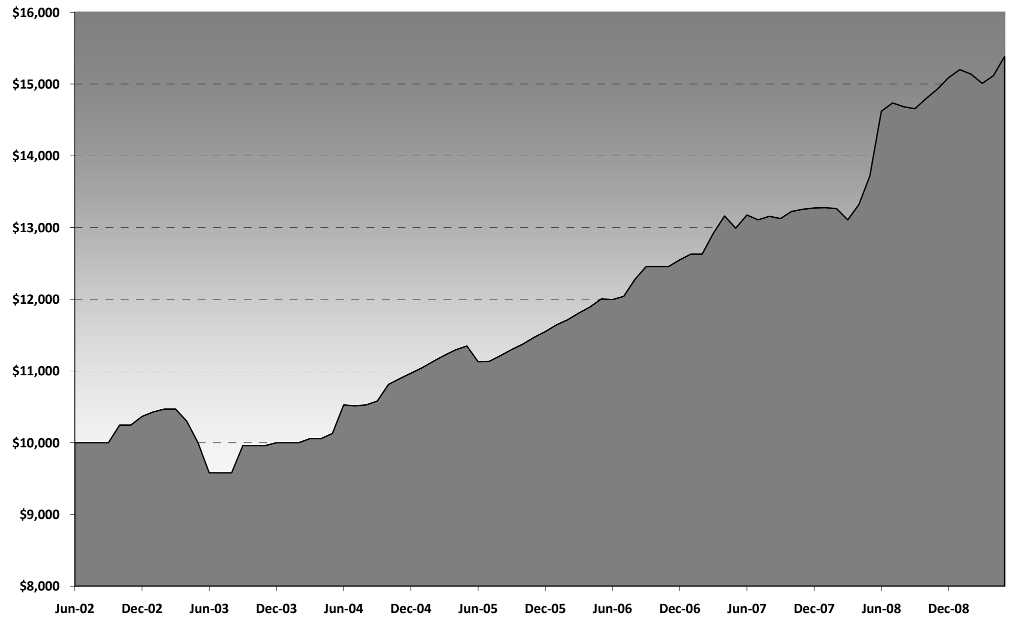
* Rolling annualised figures.

[1] Grossed up returns are inclusive of franking credits.

Financial Year Return	2008	2007	2006	2005	2004
Distribution	7.35%	7.63%	8.05%	7.93%	4.18%
Growth	3.63%	2.15%	-0.25%	-2.18%	5.69%
Total Return	10.98%	9.79%	7.79%	5.75%	9.87%
Grossed Up Distribution	8.61%	8.57%	8.11%	7.93%	4.18%
Grossed Up Total Return[2]	12.25%	10.73%	7.86%	5.75%	9.87%

[2] Grossed up returns are inclusive of franking credits.

Growth of $10,000 invested since inception[3]



[3] Inception date is April 2002. Values are based on post fee performance returns, inclusive of franking credits with distributions reinvested.

Market Commentary

As many developed nations have entered recession, commodity prices have been unable to regain the upward momentum they enjoyed in 2007 and early 2008. Through the first quarter of 2009, corn futures fell approximately 5%, wheat futures fell 13%, and soybean futures declined 3%. Although commodity prices continued to decline slightly, the dramatic drops experienced during the latter half of 2008 have ceased. Additionally, these prices remain at historically high levels, with most commodities achieving stronger prices than they did three years ago.

The Australian Dollar (AUD) remained steady against the US Dollar through the first quarter. However, the AUD has since rallied with investors moving money out of US Treasuries and other traditional havens in favour of higher-yielding assets in commodity rich countries such as Australia. There has also been an increase in risk appetite. The rally in the AUD may be tempered with concerns that its strength may hurt Australia's trade balance and be a drag on an economy weakened by the Global Financial Crisis. This in turn may cause the Reserve Bank to consider intervening in currency markets.

Forecasts from the Australian Bureau of Agricultural and Resource Economics (ABARE) indicate that Australia's farm exports are growing strongly despite the global economic crisis. In its latest forecasts, ABARE suggests that rural exports will rise by 12.0% and top $30bn in 2008-09, as a result of increased crop yields and a weaker Australian dollar. The combination of historically high commodity prices and a weaker Australian dollar has generated excellent terms of trade for Australian farmers. ABARE forecasts suggest that these terms of trade will persist, with rural exports expected to continue increasing through 2009-10.

In response to the falls in commodity prices experienced during late 2008, plantings of many key crops are expected to be reduced during the 2009 season. Weather events are also impacting upon global harvests, with Argentina, the world's third largest soybean producer, lowering harvest estimates as a result of severe drought. Additionally, the Argentinean drought is set to reduce wheat plantings, while US winter wheat crops have suffered freeze damage. Supply constraints such as these have the potential to place upward pressure on commodity prices, as demand remains strong.

Fund Commentary

ROF has delivered a positive return (grossed up) for the three months to May 09 of 1.65% and for the month 1.80%. In comparison, the S&P/ASX 200 Accumulation Index has returned -1.98% during the March quarter and 7.98% during the month of March.

A major contributor to the recent performance of ROF is RFM RiverBank (RBK) which returned 4.66% for three months to May 09. RBK makes up a majority of the total portfolio allocation of ROF's land and water allocation.

The conversion on 15 May 2009 of the ROF convertible notes (Notes) held by GSL with a face value of $22.626m from notes to equity, reduced ROF's gearing from 60% to 44%. The conversion provides ROF investors with greater security regarding the financial uncertainty being experienced by the note holder.

As a consequence of the appointment of Receivers to the Great Southern Limited Group (GSL), the ROF is faced with uncertainties relating to the distributions and asset valuations of its underlying invested Funds.

Great Southern Funds Management Ltd (GSFM) management is currently negotiating a management buyout that would separate the ownership of GSFM from Great Southern Limited (GSL). Concurrent with the management buyout is a proposal that seeks to mitigate the economic dependency and exposure that some of the funds managed by GSFM, and invested in by ROF, have to GSL. If the management buyout is successful a capital raising for ROF will be offered that will be non-dilutionary to current investors and the solution to underlying capital requirements of some of these funds, and therefore, GSL dependency.

In the medium term and subject to fund inflow, the manager expects to increase the diversification of ROF through the acquisition of operating properties in the cropping industry. This investment initiative will provide ROF with exposure to movements in the price of grain and oil seeds, a sector of the commodity market that is expected to perform well over the coming years. Furthermore, this operational exposure is consistent with the ROF's asset allocation objectives of providing a mix between direct operating assets and leased or infrastructure assets. Finally, the cropping assets that will be acquired by the fund will be specifically selected from those geographic regions that are not influenced by El Niño events. This strategy will further assist with reducing portfolio volatility.

A distribution of $0.0175 per unit with a record date of 31 March 2009 was paid to investors in May 2009. The payment of the distribution with a record date of 30 June 2009 is under review by GSFM Directors. The Directors are cognisant of the financial dependency of ROF to GSL and have developed a longer term strategy to ensure continuity of distributions following the separation of GSFM from GSL.

Existing Investments – Review

RFM Australian Cotton Fund (ACF)

ROF currently holds a 16.9% interest in the ACF – a fund also managed by GSFM and closed to new investors. ACF is wholly invested in an unlisted public company Lachlan Farming Ltd (LFL) and is the largest shareholder, owning 45.7% of the issued shares.

LFL is in a strong financial position, as a result of its asset sale process. It has a cash holding of $6 million, no outstanding debt and ownership of the Mooral property that contains a semi mature almond.

The Mooral property is leased to RFM RiverBank (RiverBank) which is also managed by GSFM. The payment of lease payments by RiverBank to LFL is dependent on RiverBank receiving lease payments from Great Southern Managers Australia Ltd (GSMAL), a subsidiary of GSL. The next lease payment is due at the end of October 2009 and there is significant uncertainty about whether this payment will be made.

The other important impact on LFL, from the appointment of Receivers to GSMAL, is the interruption of the sale process of the Mooral property to RiverBank. This sale has been progressed through negotiations undertaken by the GSFM management team, GSMAL and the National Australia Bank Limited.

The GSFM management team are continuing negotiations with the Receivers to acquire GSFM and thus separate from the Great Southern Group. This would allow RiverBank to obtain bank funding so that the sale of LFL assets to RiverBank can continue as originally proposed and GSFM continue to manage the LFL assets.

The complexity of GSL's receivership means there are uncertainties regarding the amount of capital required by LFL to dispose of its assets in an orderly fashion thus obtaining the best available value for shareholders. At this stage no distributions are planned until the outcome of these situations are known.

In the event that RiverBank defaults on its lease payment to LFL, the LFL Directors have resolved that in order to protect asset values they would maintain the orchard through a marketing program.

RFM RiverBank (RBK)

ROF is the major unit holder in RBK holding 78.5% of units on issue. RBK holds horticultural land and water assets in rural and regional Australia which are leased to third parties such as the RFM Almond Fund 2006 and the Great Southern 2007 and 2008 Almond Income Projects.

As a consequence of the appointment of Receivers and Administrators to the Great Southern Limited Group (GSL), RFM RiverBank is faced with uncertainties surrounding the lease agreement that exists between RiverBank and Great Southern Managers Australia Limited (GSMAL). A total of 1,544 hectares of almond orchards have been developed and leased to GSMAL. It is probable that the Receivers of Great Southern will default on the leases, leaving RiverBank with immature almond orchards that require operating capital to develop to the point where they are profitable. This exposes RBK to cash flow and asset valuation risk.

GSFM management is currently negotiating with the Receivers a management buyout that would separate the ownership of GSFM from GSL. Concurrent with the management buyout is a proposal that seeks to mitigate the economic dependency and exposure that RiverBank and other funds have to GSL. If GSFM is successful, a capital raising for RiverBank will be offered that will be non-dilutionary to current investors and the solution to RiverBank's capital requirements.

The management buyout proposal expects to include an offer to GSMAL almond Growers that would enable a substantial proportion of the orchards to operate subject to the existing lease agreements.

Following completion of the management buyout, GSFM intends to continue with the purchase of the Mooral property in Hillston, NSW from Lachlan Farming Ltd. The Mooral property forms part of the almond orchards that RiverBank sub leases to third parties.

A distribution of $0.0220 per unit with a record date of 31 March 2009 was paid to investors in May 2009. The payment of the distribution with a record date of 30 June 2009 is under review by GSFM Directors. The Directors are cognisant of the financial dependency of RiverBank to GSL and have developed a longer term strategy to ensure continuity of distributions following the separation of GSFM from GSL.

Agricultural Income Trust Fund 1 (AIT)

ROF currently holds a 5.9% interest in the AIT which represents the viticultural allocation of the Fund.

AIT experienced another difficult vintage this year. The extreme heat wave at the time of the Victorian bushfires reduced the crop yield and diminished the quality of grapes produced. The impact of this climatic event was compounded by low grape prices which are symptomatic of the current conditions being experienced by the wine grape industry. An oversupply of wine grapes due to excessive production and a strengthening Australian dollar put downward pressure on grape prices. The continuation of current economic conditions and wine grape oversupply provide poor prospects for the value of AIT investments. It is important to note that oversupply to the wine grape market is cyclical but the present depressed phase of the cycle could endure for some years.

The combination of low prices and very low crop yields have caused the AIT to make a forecast operating loss of $2.85m in the year to 30 June 2009. This has significantly impaired the AIT's ability to operate within its existing finance facilities and will force the fund to raise at least $2m of new equity.

Should low grape prices and volatile crop yields continue the AIT will struggle to make profits and will need to continually raise new equity. This is clearly unsustainable. For this reason the Manager has investigated the alternative of selling assets and winding up the Fund and an alternative path of initiatives that improve the operating performance of the Fund.

Investigations into the sale of assets has revealed that the poor industry conditions has resulted in little turnover in premium vineyards at present. In relation to large vineyards, the Manager has been advised that they are unsaleable at any value that would provide a reasonable return to equity holders. For this reason, it appears that a wind up of the Fund is not practical at this stage in the cycle.

To remain a going concern the AIT must make several advances in both the growing and marketing of its production. Firstly, annual grape yields need to become more reliable and resistant to the effects of heatwaves. This can be achieved by mulching of vine rows, increasing soil organic matter and possibly through finer manipulation of plant nutrients. Next, there must be some changes to the mix of grape varieties that is produced on the Fund's vineyards. For example much of the Riesling plantings will need to be grafted over to red grape varieties for which the Barossa is recognised and for which the fund will be paid more per tonne.

Finally, the AIT needs to pursue better market opportunities for its fruit, through nurturing relationships with those wine companies that have established or growing markets for the style of fruit that the Fund can produce. In the retail wine market at present, it is apparent that a number of medium sized privately owned wine producers are succeeding in growing their sales. For this reason the AIT is attempting to align itself with some of these producers so as to improve the value of its annual crop. In addition, the Fund continues to build on existing relationships where quality production is achieving appropriate rewards.

Table 1 below sets out the harvest results for the AIT. The yields were significantly below forecast as a result of the climatic conditions described above. There is expected to be some upward price movement when final gradings are released.

Table 1: AIT Harvest Table 2009 Vintage

Property Name	Budget 2009 Tonnes/Ha	Budget 2009 Tonnes	Budget 2009 $/Tonne	Budget 2009 Income	Actual 2009 Tonnes/Ha	Actual 2009 Tonnes	Actual 2009 $/Tonne	Actual 2009 Income
Adelaide Hills	9.1	509.1	$1,499	$762,787	10.3	576.9	$1,147.1	$661,736
Geier	9.1	2,219.8	$1,265.4	$2,808,941	5.0	1,225.9	$998.8	$1,224,495
Hahn	9.1	458.3	$1,144	$524,218	6.9	346.6	$1,031.2	$357,450
	9.1	**3,187**	**$1,285**	**$4,095,946**	**6.2**	**2,149.44**	**$1,044**	**$2,243,681**

Climatic conditions post the heatwave were ideal for the completion of harvest, with good rains recorded thereafter. The Murray Darling system continues to experience record low inflows, a worrying trend for next year. Above average winter rainfall must now be received if water allocations of any significance are to be forthcoming.

RFM Ultra Premium Vineyard Fund (UPVF)

ROF currently holds a 39.6% interest in the UPVF which along with RBK represents the property and infrastructure allocation of the Fund.

Following a general meeting of unit holders in April 2008, the UPVF significantly changed the nature of its business, ceasing the production, harvest and sale of premium wine grapes and beginning a passive vineyard asset leasing business. The real property, water entitlements and infrastructure held by the UPVF were leased to Great Southern Managers Australia Limited for a period of 22 years commencing in May 2008. Distributions (with a record date of 31 December 2008) from cash flow generated by these leases commenced to UPVF unitholders in early 2009.

UPVF currently faces uncertainty with regard the ongoing nature of its business. With the appointment of Receivers to Great Southern Limited and its related Managed Investment Schemes it is likely that the UPVF leases to the Great Southern Wine Grape Projects will be terminated. In this event, UPVF would then return to operating a premium wine grape growing business in which case distributions may cease for the foreseeable future.

Should this occur, UPVF will need to be adequately capitalised including sufficient working capital to finance the annual grape growing cycle. It is expected that the minimum capital requirement would be approximately $2 million which would be obtained through an equity raising exercise. Equity would likely be raised via a discounted rights issue offered to existing investors in the first instance.

The UPVF annual redemption which was scheduled to take place in May/June of this year will not be offered this year as there is a need to preserve cash reserves.

A distribution of $0.0153 per unit with a record date of 31 March 2009 was paid to investors in May 2009. Further distributions are under review until there is clarity from the Great Southern Limited Receivers regarding lease payments.

RFM Chicken Income Fund (CIF)

The Fund currently holds a 9.8 % interest in the CIF which represents ROF's poultry infrastructure holdings and comprises farms at Griffith and Lethbridge.

Nine of the 16 chicken farms in Griffith have completed their fourth batch for the 2009 financial year and have performed very well. These farms are now receiving the bird placements for their fifth batch. The remaining seven farms are now completing their fourth batch. In Lethbridge all farms have completed their fourth batch.

Despite the extreme temperatures experienced in January and February, performance indicators have continued to improve. In Lethbridge, water supply lines to the individual farms have been replaced with a larger diameter pipe in order to increase the supply capacity from the main storage and back-up generators have been upgraded to handle any future extreme heat conditions.

CIF remains in a strong financial position with gearing of 42%. The fund's debt provider has requested that gearing be reduced to 35% over the next two years. This request is consistent with the global trend to lower debt levels and the fund's objective of maintaining relatively low gearing. For this reason the CIF expects to conduct equity raisings of between $10,000,000 and $15,000,000 via a rights issue in due course. This will reduce gearing to well below the target 35% and position the CIF to consider well priced investment opportunities that are likely to arise in the current economic climate.

CIF's counterparty, Bartter / Steggles, is subject to a takeover bid by Baiada. Baiada is Australia's third largest poultry producer and a family owned company established in the 1950's. GSFM management view this transaction, should it occur, as a positive for CIF given the fund will have a more robust counterparty which will, in no small part, be due to the significant industry consolidation this transaction represents.

A distribution of $0.0300 per unit comprising $0.0300 tax deferred with a record date of 31 March 2009 was paid to investors in May 2009. The record date for the next distribution is 30 June 2009. The next distribution is forecast to be $0.0300 CPU. The CIF annual redemption which was scheduled to take place in May/June is expected to occur later in the calendar year.

ROF Flower Holdings Trust (FHT)

The Fund currently holds 100% of the issued units in the Flower Holdings Trust – a trust also managed by GSFM and which specializes in the Calla Lily blooms and tubers for wholesale markets.

Picking operations have continued throughout the quarter, with approximately 264,419 flowers and 114,672 tubers sold in this financial year. The planting for this season has been completed utilising less potting mix and requiring no sawdust and potting media, significantly reducing expenditure.

The unit price reflects a reduction in revenue forecast as a result of decreased flower and tuber sales and an adverse revision of tuber valuations.

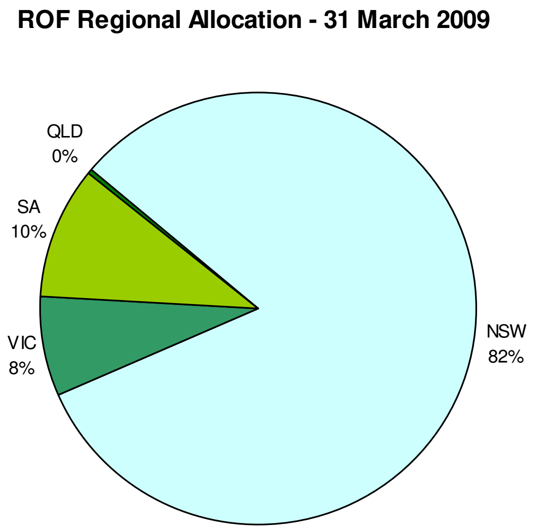
The GSFM Horticulture Assets management team has prepared a number of initiatives in order to refocus the operation to increase profit.

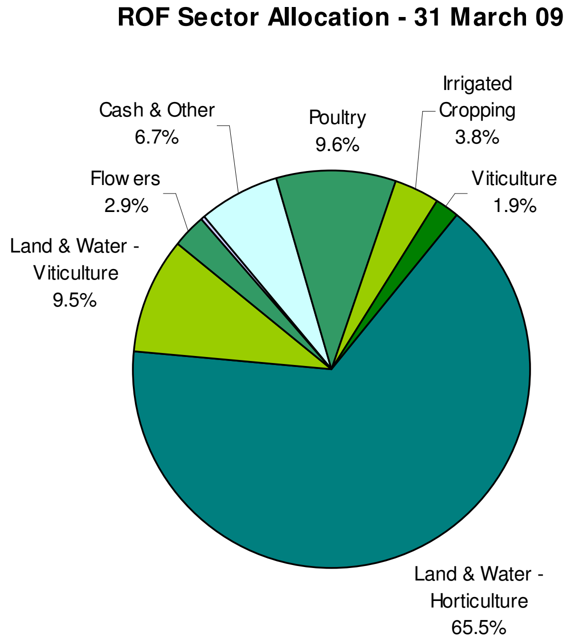
Table 2 below sets out existing and target asset allocation of the Fund.

Table 2: ROF Target Asset Allocation

Agricultural Asset Class	Target Allocation	Current Allocation[4]
Property & Infrastructure	50%-70%	84%
Operational Assets	30%-40%	9%
Equities & Cash	10%-20%	7%

[4] The current allocation is expected to fall within the target allocation as assets are acquired over the medium term.





Fund Facts as at 31 May 2009

Fund Size	**$53.1m**
Inception	April 2002[5]
Unit Price	$1.0577[6]
APIR Code	RMF0103AU

[5] Prior to October 2007, the Fund was known as the RFM Diversified Agribusiness Fund.

[6] 15th May Application Price – a new Application Price is calculated on the 15th of each month.