

19 March 2012

**Rural Funds Management Ltd**

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Dear Directors

**RE: RFM DIVERSIFIED AGRICULTURAL FUND (DAF) ARSN 099 573 627**

We refer to our previous correspondence relating to the windup of DAF.

The windup process commenced on 15 March 2012 and a final distribution of units in the underlying funds to DAF investors occurred on 16 March 2012.

DAF investors have now received investments in the following underlying funds:

- RFM RiverBank (**RiverBank**) ARSN 112 951 578
- RFM Chicken Income Fund (**CIF**) ARSN 105 754 461
- RFM Australian Wine Fund (**AWF**) ARSN 099 573 485
- RFM Australian Cotton Fund (**ACF**) ARSN 099 573 690

Further information about these underlying funds was provided in our letter dated 15 February 2012 and more detailed information can be obtained from our website: [www.ruralfunds.com.au](http://www.ruralfunds.com.au).

**Distributions**

Quarterly distributions will be paid by RiverBank and CIF commencing 15 May 2012.

It is expected that the ACF will be in a position to pay a final return of capital to ACF investors during the second half of the 2012 calendar year, after which the ACF will be wound up.

It is RFM's objective to recommence distributions to AWF investors during 2012 if sufficient harvest proceeds are achieved. A further update about AWF distributions will be provided to investors in July / August 2012 once harvest results are known.

**Capital Gains Tax (CGT)**

RFM provides the following comments to assist investors and their advisors to complete their tax return for the 2012 financial year. These comments relate to Australian resident taxpayers who hold their units on capital account.

RFM is not a registered tax agent and cannot provide you with tax advice. RFM recommends you seek professional assistance to determine the tax consequences of the arrangements and in completing your tax return.

As DAF has accounted for the distribution of the underlying funds on windup as a return of unit capital, the distribution should not be taxed as a dividend.

As a DAF investor, the disposal or cancellation of units in DAF will constitute a CGT event and you may incur a small taxable capital gain.

The amount of the capital gain or loss should be calculated as the difference between:

- (a) the capital proceeds received by you, being the market value of the units in the underlying funds; and
- (b) the cost base of the DAF units disposed of – broadly the subscription price that you paid to acquire the DAF units less the amount of any tax deferred distributions you have received.

Cost Base

RFM is unable to calculate the cost base of your DAF investment. RFM has **enclosed** information relevant to calculating your cost base, such as the cost and date of acquisitions, and tax deferred distributions which should reduce the cost base. You and your investors should obtain independent tax advice on this issue.

Market Value

The market value of the units in the underlying funds has been assessed by RFM as **74 cents** per DAF unit held. RFM considers that the value of the units in the underlying funds is as follows:

- RFM RiverBank (**RiverBank**)
- RFM Chicken Income Fund (**CIF**)
- RFM Australian Wine Fund (**AWF**)
- RFM Australian Cotton Fund (**ACF**)

Immediately prior to the transfer of units you held [REDACTED] DAF units. You have received the following number of units in the underlying funds:

<b>Underlying fund</b>	<b>Units received</b>	<b>Market value (per unit)</b>	<b>Total market value</b>
RFM RiverBank	[REDACTED]	[REDACTED]	[REDACTED]
RFM Chicken Income Fund	[REDACTED]	[REDACTED]	[REDACTED]
RFM Australian Wine Fund	[REDACTED]	[REDACTED]	[REDACTED]
RFM Australian Cotton Fund	[REDACTED]	[REDACTED]	[REDACTED]

The cost base for each of the underlying funds should be these amounts.

This calculation has been made based upon the estimated amount for which the units in the underlying funds should exchange between a willing buyer and a willing seller in an arm’s length transaction, which is not necessarily the current net asset value or unit price for each of the underlying funds.

## Statements

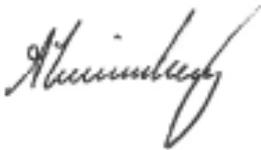
We have **enclosed** with this letter the following statements for your information:

- Overall Investment Summary which provides information about all your existing RFM investments and their current value;
- DAF Transaction Statement which provides information about each acquisition and disposal of units you have held in DAF;
- DAF Distribution History Statement which lists details about all distributions you have received as a DAF investor; and
- Transaction Statements for each of the underlying funds, which provides information about the units you have acquired in the underlying funds as part of the DAF windup.

Prior to 30 September 2012 RFM will also provide you with a Periodic Statement and Taxation Statement for your DAF investment, as usual.

If you require further information please contact Investor Services on 1800 026 665 or [investorservices@ruralfunds.com.au](mailto:investorservices@ruralfunds.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Angela Wisbey', written in a cursive style.

Angela Wisbey  
Manager – Legal & Investment Services

## Enclosures:

1. Overall Investment Summary
2. DAF Transaction Statement
3. DAF Distribution History Statement
4. Transaction Statements for RiverBank, CIF, AWF and ACF