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RFM Australian Wine Fund ARSN 099 573 485

18 April 2013

Introduction

Rural Funds Management Limited ABN 65 077 492 838 (**RFM**) is the Responsible Entity (**RE**) for the RFM Australian Wine Fund ARSN 099 573 485 (**AWF**).

The Australian Securities and Investments Commission (**ASIC**) Regulatory Guide (**RG**) 46 applies to registered unlisted property schemes in which retail investors have a direct or indirect investment. AWF is an unlisted property scheme as defined by RG46.

Under RG46, RFM as the RE for AWF must report against six disclosure benchmarks (**benchmark reporting**) and eight disclosure principles. RFM's benchmark reporting and disclosure will assist retail investors to analyse the relative risks and returns of an investment in AWF.

RFM will provide AWF investors with updated benchmark reporting and disclosure and any material changes by posting the information on the RFM website at www.ruralfunds.com.au.

Benchmark Reporting & Disclosure

Benchmark / Disclosure Principle	Compliance
<p>Benchmark 1: Gearing policy</p> <p>The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.</p>	<p>Yes. RFM as RE maintains and complies with a written policy that governs the level of gearing.</p> <p>The policy stipulates that gearing of AWF should not exceed 50%, with the target ratio at 35%.</p> <p>A copy of the policy governing gearing can be obtained by contacting Investor Services.</p>
<p>Disclosure Principle 1: Gearing ratio</p> <p>Responsible entities should disclose a gearing ratio for the scheme calculated using the following formula:</p> <p>Gearing ratio = $\frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$</p>	<p>The gearing ratio of AWF is 33.8%.</p> <p>These values are taken from AWF's latest audited financial reports (for the 6 months ending 31 December 2012):</p> <p style="padding-left: 40px;">Total interest bearing liabilities = \$14,365,112</p> <p style="padding-left: 40px;">Total assets = \$42,505,819</p> <p style="padding-left: 40px;">Gearing ratio = 33.8%</p> <p>There have been no material changes to AWF's gearing ratio since 31 December 2012.</p> <p>The gearing ratio demonstrates the extent to which AWF's assets are funded by interest bearing liabilities. It indicates the potential risk that AWF faces from increased interest rates or decreased property values. In RFM's view the AWF gearing ratio is appropriate given the current economic conditions.</p>

Benchmark / Disclosure Principle	Compliance
<p>Benchmark 2: Interest cover policy</p> <p>The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.</p>	<p>Yes. RFM as RE maintains and complies with a written interest cover policy that governs the level of interest cover.</p> <p>The policy stipulates that the interest cover ratio of AWF should not be less than 1.75 times earnings.</p> <p>In addition, AWF is required to comply with any interest cover covenant under the terms of AWF's credit limit facilities.</p> <p>A copy of the policy governing interest cover can be obtained by contacting Investor Services.</p>
<p>Disclosure Principle 2: Interest cover ratio</p> <p>The interest cover ratio gives an indication of an unlisted property scheme's ability to meet the interest payments from earnings. Responsible entities should disclose the scheme's interest cover ratio calculated using the following formula and based on the latest financial statements:</p> <p>Interest cover ratio = $\frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$</p>	<p>The interest cover ratio of AWF is 6.04 times earnings.</p> <p>These values are taken from AWF's latest audited financial reports (for the 6 months ending 31 December 2012):</p> <p>EBITDA = \$2,698,738</p> <p>Unrealised losses = \$330,417</p> <p>Interest expense = \$501,746</p> <p>Interest cover ratio = 6.04</p> <p>There have been no material changes to AWF's interest cover since 31 December 2012.</p> <p>Interest cover demonstrates AWF's capacity to service interest payable on AWF's debts using its adjusted earnings. Interest cover is a critical indicator of AWF's financial position and of the sustainability and risks of AWF's debt level. In RFM's view, AWF's interest cover is appropriate given the current economic conditions.</p>

Benchmark / Disclosure Principle	Compliance
Benchmark 3: Interest capitalisation The interest expense of the scheme is not capitalised.	Yes. All interest costs are currently expensed in the profit and loss statement. AWF does not currently incur any interest costs that are required to be capitalised.
Disclosure Principle 3: Scheme borrowing If a scheme has borrowed funds (whether on or off balance sheet), responsible entities should clearly and prominently disclose: (a) for each borrowing that will mature in five years or less—the aggregate amount owing and the maturity profile in increments of not more than 12 months; (b) for borrowings that will mature in more than five years—the aggregate amount owing; (c) the amount (expressed as a percentage) by which either the operating cash flow or the value of the asset(s) used as security for the facility must fall before the scheme will breach any covenants in any credit facility; (d) for each credit facility: (i) the aggregate undrawn amount; (ii) the assets to which the facility relates; (iii) the loan-to-valuation and interest cover covenants under the terms of the facility; (iv) the interest rate of the facility; and (v) whether the facility is hedged; (e) details of any terms within the facility that may be invoked as a result of scheme members exercising their rights under the constitution of the scheme; and (f) the fact that amounts owing to lenders and other creditors of the scheme rank before an investor's interests in the scheme.	Current value: \$14,365,112 The current value of AWF's borrowings is taken from the AWF's latest audited financial reports (for the 6 months ending 31 December 2012). Facility 1: \$14.0 million (a) Not Applicable (b) Maturity Date: 20 May 2026 (c) Amount by which drop in security value allowed prior to covenant breach: 11% (applicable until 30 June 2013) (d) For Facility 1: (i) Undrawn amount: \$0.0 million (ii) Secured assets: \$35.0 million (iii) Loan-to-valuation covenant is 45% until 30 June 2013, reducing to 40% thereafter. No interest cover covenant applicable. (iv) Unhedged Interest rate: 6.43% pa as at 31 December 2013. This rate is variable (v) Hedging: See below (e) There is an event of default if RFM ceases to be Responsible Entity for AWF or any step is taken to appoint a new responsible entity. (f) The amount owing to the lender ranks ahead of

Benchmark / Disclosure Principle	Compliance
<p>If borrowings and credit facilities will mature within 12 months, the responsible entity should make appropriate disclosure about the prospects of refinancing or possible alternative actions (e.g. sales of assets or further fundraising). If the responsible entity has no reasonable grounds for commenting on the prospect of refinancing or possible alternative actions, it should state this and explain why to investors: see Regulatory Guide 170 Prospective financial information (RG 170) at RG 170.91–RG 170.94.</p> <p>Responsible entities should explain any risks associated with their borrowing maturity profile, including whether borrowings have been hedged and, if so, to what extent.</p> <p>Responsible entities should also disclose any information about scheme borrowing and breaches of loan covenants that is reasonably required by investors. Responsible entities should update investors about the status of scheme borrowings and any breaches of covenants through ongoing disclosure.</p>	<p>investor's interests in AWF.</p> <p>Facility 2: \$0.212 million</p> <p>Paid out in full in February 2013.</p> <p>AWF's borrowings are secured against its assets. This means that the lender and other creditors rank ahead of AWF investors if AWF becomes insolvent. Therefore, the maturity and facility expiry profiles of AWF borrowings are important factors for AWF investors to consider. For example, borrowing facilities that are due to expire within a relatively short timeframe can be a significant risk factor, especially in tight credit markets. If AWF fails to renew borrowing facilities, AWF's ongoing viability could be adversely affected.</p> <p>AWF's debt is hedged against total swap facilities of \$9.0 million. \$3.0 million matures in January 2014 and \$6.0 million matures in January 2017.</p> <p>There have been no material changes to AWF borrowings since 31 December 2012. In RFM's view, AWF borrowings are appropriate given the current credit market conditions. RFM is not aware of any breaches or likely breaches of covenants of AWF borrowing facilities.</p>
Benchmark 4: Valuation policy	Yes, RFM as RE maintains and complies with a written

Benchmark / Disclosure Principle	Compliance
<p>The responsible entity maintains and complies with a written valuation policy that requires:</p> <p>(a) a valuer to:</p> <ul style="list-style-type: none"> (i) be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and (ii) be independent; <p>(b) procedures to be followed for dealing with any conflicts of interest;</p> <p>(c) rotation and diversity of valuers;</p> <p>(d) valuations to be obtained in accordance with a set timetable; and</p> <p>(e) for each property, an independent valuation to be obtained:</p> <ul style="list-style-type: none"> (i) before the property is purchased: <ul style="list-style-type: none"> (A) for a development property, on an 'as is' and 'as if complete' basis; and (B) for all other property, on an 'as is' basis; and (ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property. 	<p>Asset Valuation Policy that requires:</p> <ul style="list-style-type: none"> (a) the valuer to be registered or licensed; (b) the valuer to be independent; (c) procedures to be followed for dealing with conflicts of interest; (d) rotation of valuers every three years unless the Board considers there are special circumstances; (e) diversity of valuers based upon a pre-approved list, which is assessed annually; (f) valuations to be obtained in accordance with a set timetable; and (g) for each property an independent valuation to be obtained before a property is purchased and within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property. <p>The AWF currently complies with this policy and a copy of this policy can be obtained by contacting Investor Services.</p>
<p>Disclosure Principle 4: Portfolio diversification</p> <p>A responsible entity should disclose the current composition of the property scheme's direct property investment portfolio, including:</p> <ul style="list-style-type: none"> (a) properties by geographic location by number and value; (b) non-development properties by sector (e.g. industrial, commercial, retail, 	<p>The current composition of AWF's direct property investment portfolio is displayed in figure 1 below. All valuations have been performed by an independent valuer in accordance with the Asset Valuation Policy.</p>

Benchmark / Disclosure Principle	Compliance																																			
<p>residential) and development projects by number and value;</p> <p>(c) for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation;</p> <p>(d) the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry;</p> <p>(e) the occupancy rate(s) of the property portfolio;</p> <p>(f) for the top five tenants that each individually constitute 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income; and</p> <p>(g) the current value of the development and/or construction assets of the scheme as a percentage of the current value of the total assets of the scheme.</p> <p>Disclosure should cover the responsible entity's investment strategy on these matters, including its strategy on investing in other unlisted property schemes, whether the scheme's current assets conform to the investment strategy and an explanation of any significant variance from this strategy. A responsible entity should also provide a clear description of any significant non-direct property assets of the scheme, including the value of such assets.</p> <p>Responsible entities of unlisted property schemes involved in property development should also disclose for each significant development asset:</p> <p>(a) the development timetable with key milestones;</p> <p>(b) a description of the status of the development against the key milestones identified;</p> <p>(c) a description of the nature of the funding arrangements for the development (including the sources of funding and repayment strategies if borrowing is used to</p>	<p>Figure 1: Profile of AWF portfolio</p> <table><tr><th>No.</th><th>Name</th><th>Location</th><th>Area (ha)</th><th>31 Dec 2012 valuations</th></tr><tr><td>1</td><td>Kleinig</td><td>Barossa</td><td>206.3</td><td>\$11,000,000</td></tr><tr><td>2</td><td>Dohnt</td><td>Coonawarra</td><td>29.7</td><td>\$950,000</td></tr><tr><td>3</td><td>Rosebank</td><td>Grampians</td><td>82.3</td><td>\$2,300,000</td></tr><tr><td>4</td><td>Geier</td><td>Barossa</td><td>243.3</td><td>\$13,000,000</td></tr><tr><td>5</td><td>Mundy and Murphy</td><td>Adelaide Hills</td><td>55.2</td><td>\$3,650,000</td></tr><tr><td>6</td><td>Hahn</td><td>Barossa</td><td>49</td><td>\$2,400,000</td></tr></table> <p>The properties numbered 1 to 5 inclusive are leased to Treasury Wine Estates Vintners Limited ACN 004 094 599 (TWE) for 10 years commencing 1 July 2012. The property numbered 6 is leased to TWE for 9 years commencing 1 July 2013.</p> <p>RFM as responsible entity has established a strategy of investing in vineyards suited to the production of high quality grapes. AWF owns and leases these vineyards and all current property assets conform to this strategy.</p> <p>AWF does not own any development or construction assets.</p>	No.	Name	Location	Area (ha)	31 Dec 2012 valuations	1	Kleinig	Barossa	206.3	\$11,000,000	2	Dohnt	Coonawarra	29.7	\$950,000	3	Rosebank	Grampians	82.3	\$2,300,000	4	Geier	Barossa	243.3	\$13,000,000	5	Mundy and Murphy	Adelaide Hills	55.2	\$3,650,000	6	Hahn	Barossa	49	\$2,400,000
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<p>fund the development);</p> <p>(d) the total amounts of pre-sale and lease pre-commitments, where applicable;</p> <p>(e) whether the loan-to-valuation ratio for the asset under development exceeds 70% of the 'as is' valuation of the asset; and</p> <p>(f) the risks associated with the property development activities being undertaken.</p> <p>The responsible entity for any scheme that has over 20% of its property assets in development based on an 'as if complete' basis should ensure that the scheme is clearly identified as a development and/or construction scheme.</p>	
<p>Benchmark 5: Related party transactions</p> <p>The responsible entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.</p>	<p>Yes. RFM as RE maintains and complies with a written policy on related party transactions.</p> <p>A copy of the RFM Conflict of Interest Management Policy can be obtained by contacting Investor Services.</p>
<p>Disclosure Principle 5: Related party transactions</p> <p>Responsible entities that enter into transactions with related parties should describe related party arrangements relevant to the investment decision. The description should address:</p> <p>(a) the value of the financial benefit;</p> <p>(b) the nature of the relationship (i.e. the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act or ASX Listing Rules—for group structures, the nature of these relationships should be disclosed for all group entities);</p> <p>(c) whether the arrangement is on 'arm's length' terms, is reasonable</p>	<p>AWF is party to the following related party transaction:</p> <p>(a) AWF has entered into a Loan Agreement with Murdock Viticulture & Advisory Pty Ltd ACN 161 344 252 (MVA) with respect to the sale of plant and equipment. RFM holds 28% of the issued shares in MVA. The principal amount of the loan is for \$927,098.65, with an interest rate of 12% per annum and requires full amortisation on or before 27 March 2018. The loan is fully secured by a registered general security interest over all plant and equipment. This arrangement was entered into to give effect to the lease of the vineyards by AWF to</p>

Benchmark / Disclosure Principle	Compliance
<p>remuneration, some other exception applies, or we have granted relief;</p> <p>(d) whether scheme member approval for the transaction has been sought and, if so, when (e.g. if member approval was obtained before the issue of interests in the scheme);</p> <p>(e) the risks associated with the related party arrangement; and</p> <p>(f) whether the responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.</p>	<p>TWE, where MVA have contracted to provide management services to TWE.</p> <p>The transaction referred to above has been considered by the RFM Board and the External Compliance Committee as being reasonable in circumstances if the parties were dealing with each other at arm's length.. The Board and ECC have considered the factors in ASIC's <i>Regulatory Guide 76: Related party transactions (RG76)</i>, to make this finding. As a consequence, investor approval was not sought for the transaction. RFM complied with the RFM Conflict of Interest Management Policy when entering into this transaction.</p> <p>AWF may enter into other transactions with parties that are related to RFM. These related parties include managed investment schemes for which RFM is the responsible entity or manager.</p> <p>The RFM Conflict of Interest Management Policy ensures that all related party transactions occur on a commercial arm's length basis.</p> <p>The RFM Conflict of Interest Management Policy requires that all related parties be clearly identified and that all related party transactions be submitted to the RFM External Compliance Committee for review.</p> <p>RFM records all related party transactions in the Related Party Transaction Register.</p> <p>A copy of the RFM Conflict of Interest Management Policy</p>

Benchmark / Disclosure Principle	Compliance
	can be obtained by contacting Investor Services.
Benchmark 6: Distribution practices The scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.	Yes.
Disclosure Principle 6: Distribution practices If a scheme is making or forecasts making distributions to members, the responsible entity should disclose: <ul style="list-style-type: none"> (a) the source of the current distribution (e.g. from cash from operations available for distribution, capital, unrealised revaluation gains); (b) the source of any forecast distribution; (c) whether the current or forecast distributions are sustainable over the next 12 months; (d) if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources; (e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and (f) the impact of, and any risks associated with, the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution. 	<p>To date AWF has made two distributions, with record dates of 31 December 2008 and 31 March 2009. AWF has not resolved to make any further distributions at the date of this disclosure.</p> <p>Generally, distributions paid from RFM funds are from realised income.</p> <p>From time to time, and where RFM considers it to be appropriate and prudent, a component of distributions may be paid from capital (borrowings and/or equity).</p>

Disclosure

Disclosure Principle	Disclosure
<p>Disclosure Principle 7: Withdrawal arrangements</p> <p>If investors are given the right to withdraw from a scheme, the responsible entity should clearly disclose:</p> <p>(a) whether the constitution of the scheme allows investors to withdraw from the scheme, with a description of the circumstances in which investors can withdraw;</p> <p>(b) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors);</p> <p>(c) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme, or the unit price at which any withdrawal will be made (including risk factors that may affect the ability of the responsible entity to meet a promoted withdrawal period);</p> <p>(d) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and</p> <p>(e) if withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility.</p> <p>The responsible entity should ensure that investors are updated on any material changes to withdrawal rights through ongoing disclosure. For example, investors should be informed if the responsible entity knows that withdrawal requests will be suspended during an upcoming withdrawal period for whatever reason.</p>	<p>AWF is an illiquid registered managed investment fund and investors should consider an investment in AWF as long term.</p> <p>Under the AWF Constitution, RFM has the discretion to make limited withdrawal offers to AWF investors from time to time. However, under the Corporations Act, RFM may only provide a withdrawal offer if it is simultaneously open to all investors. Should no withdrawal offer be current, then investors are unable to have their units redeemed.</p> <p>There is no formal secondary trading market for AWF units. However, AWF units are transferable.</p> <p>RFM is committed to providing periodic redemption facilities to investors. For the latest information please visit the RFM website at www.ruralfunds.com.au.</p>

Disclosure Principle	Disclosure
Responsible entities should also clearly disclose if investors have no withdrawal rights.	
<p>Disclosure Principle 8: Net tangible assets</p> <p>The responsible entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per unit basis in pre-tax dollars.</p> <p>We consider that responsible entities should calculate the NTA of the scheme using the following formula:</p> $\text{NTA per unit} = \frac{\text{Net assets} - \text{intangible assets} \pm \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$ <p>The responsible entity should disclose the methodology for calculating the NTA per unit and details of the adjustments used in the calculation, including the reasons for the adjustments.</p> <p>Responsible entities should also explain to investors what the NTA per unit calculation means in practical terms and how investors can use the NTA per unit calculation to determine the scheme's level of risk.</p>	<p>The net tangible assets per unit is \$0.388.</p> <p>These values are taken from AWF's latest audited financial reports (for the 6 months ending 31 December 2012):</p> <p style="padding-left: 40px;">Net assets = \$27,480,256</p> <p style="padding-left: 40px;">Intangible assets = \$81,529</p> <p style="padding-left: 40px;">Number of units = 70,614,076</p> <p style="padding-left: 40px;">Net tangible assets = 0.388</p> <p>There have been no material changes to AWF's interest cover since 31 December 2012.</p> <p>No adjustments are made in the calculation.</p> <p>NTA provides investors with an understanding of the real asset backing in AWF. A fund with a higher asset backing per unit is typically considered to be less volatile and more accurately valued.</p>