

20 April 2020



Rural Funds Management Ltd
ABN 65 077 492 838
AFSL 226701

Level 2, 2 King Street Deakin ACT 2600
Locked Bag 150 Kingston ACT 2604

W www.ruralfunds.com.au

Adviser Services

P 1300 880 295
F 1800 625 518
E adviserservices@ruralfunds.com.au

Investor Services

P 1800 026 665
F 1800 625 518
E investorservices@ruralfunds.com.au

Dear Unitholder,

RFM Almond Fund half-year investor update

As the 2020 almond harvest nears its completion, it is Rural Funds Management's (RFM) pleasure to provide RFM Almond Fund (RAF) Unitholders with the following fund update.

Growing season and harvest

Bloom, pollination and the growing season

The first flowers on the almond trees in the orchard began to bloom in August. The placement of beehives to promote pollination occurred shortly thereafter. A few minor frost events arose during winter and spring, however no areas were significantly affected. Frost fans in sections of the orchard assisted in providing protection (see Fig. 1).

During summer, in the months leading up to harvest, conditions were hot and dry. The average maximum temperature for December was 35.1°C (3.6°C above average) and 35.7°C for January (2.2°C above average). As a result the orchard required continual irrigation over these months. The dry conditions also increased the incidence of wildlife and pests seeking refuge in the orchard which presented some challenges.

Despite the conditions, pollination throughout the orchard was successful and the almond kernels developed well throughout the growing season (see Fig. 2). Crop assessments conducted in October resulted in a forecast yield of 3.2 tonnes per hectare.



Figure 1: Almond trees in bloom, beehives in foreground and frost fans in background.



Figure 2: Almond kernels towards the end of growing season (different sizes due to different varieties).

Harvest

The harvest initially began in late January but had to be stopped for several days due to rain in mid-February. Intermittent rainfall continued to prevent machinery from operating in the orchard until late February.

The weather, and therefore progress of the harvest, improved from late February and throughout March. The 'first pass' of the orchard was completed by the end of March.

A 'pass' refers to the process of almond trees being mechanically shaken to dislodge the nuts (see Fig. 3), which are then collected (see Fig. 4). Due to various reasons, sometimes all or part of an orchard will require a 'second pass', or even a 'third pass'. However, because of the generally good harvest conditions this year, less than 5% of the orchard will require an additional pass. This is a very good result, particularly as the effects of COVID-19 are increasingly disruptive, impacting access to labour and the timely airfreight of components for harvest equipment.



Harvested almonds are being transported to the AlmondCo processing facility in Griffith, NSW, as capacity allows (see Fig 5). Processing is expected to continue until August.

Following preliminary results from the processor and in-orchard estimates, RFM has increased the forecast yield to 3.5 tonnes per hectare. The forecast price has been reduced to between AUD\$7.50 to AUD\$8.00/kg because of the firming likelihood of a large US crop. These metrics remain estimates and the actual results will form the basis for the 2021 distribution.



Half-year to 31 December 2019 (HY20) Financial Statements

The HY20 Financial Statements are now available on the RFM website. This is the first set of Financial Statements for RAF. The Financial Statements for HY20 have been complicated by the merger of Almond Fund's 2006, 2007, 2008 and RFM's area (Schemes) during the period. The merger was completed on 30 August 2019.

The net asset value in the HY20 Financial Statements reflects the net asset position of RAF as at 31 December 2019 in accordance with Australian Accounting Standards. This differs from the monthly unit price published on the RFM website. The unit price recognises the forecast 30 June net asset value on a monthly pro-rata basis. This has the effect of, for example, incrementally recognising the value of the crop throughout the growing season, rather than simply when cash sale proceeds are received.

Deferral of listing and assessment of other liquidity options

The owner of the Moorall orchard, the Rural Funds Group (ASX code: RFF), is an entity also managed by RFM. RFF has offered the Moorall orchard for sale, which could provide the opportunity for an early termination of the RAF's leases. Were this to occur, RAF's assets would be sold, with the net proceeds paid to Unitholders. In effect, the possible sale of the Moorall orchard could provide an early liquidity event for Unitholders.

The Explanatory Memorandum dated 25 July 2019 (EM) regarding the merger of the Schemes outlined RFM's intention to apply to list RAF on the National Stock Exchange (NSX). It was estimated that RAF would list following the release of the HY20 Financial Statements. RFM has determined it is in the best interests of Unitholders to defer the NSX listing, until the outcome of the orchard sale process is known.

Ongoing updates

An update on the sale of Moorall will be provided in the coming months. In addition, a Unitholder webinar is anticipated to be held in September to coincide with the release of the full-year accounts. At this time, it is expected a distribution of \$0.0442 per Unit (as disclosed in the EM) will be confirmed.

In the meantime if you have any queries concerning your investment please contact Investor Services on 1800 026 665 or InvestorServices@ruralfunds.com.au at any time.

Yours sincerely,



James Powell
General Manager – Investor Relations & Marketing