AATIF INVESTOR REPORTING

Report for the quarter ending 30/06/2020

Activity Report Q2 2020

Regional Developments

Nearly six months since the first case of COVID-19 was confirmed in Africa, the continent is still facing the harsh realities symptomatic of a global pandemic. With cases of infection still on the rise, some countries have been forced to maintain strict lockdown and testing protocols.

Many countries, though, are facing the reality of needing to re-open regional and international borders in a bid to mitigate further lasting economic damage. Yet, with the looming prospect of a second wave of infections, countries are balancing strict curfew and internal movement restrictions with reopening international trade and travel links.

The African Development Bank (AfDB) supplement from July 7th, 2020[1] highlights the extent to which the novel coronavirus pandemic has upended all projections for economic growth in the continent as of January 2020.

With the pandemic currently enduring past the halfway mark of 2020, projections from AfDB anticipate a contraction of 3.4% in the continent's GDP, leading to estimated losses of around USD 189.7 billion.

AfDB further expects countries dependent on oil and resource export, as well as tourism, to exhibit significant variations in economic impacts of the pandemic.

It is no wonder, then, that many African economies are striving to stave off this economic shortfall. Tanzania and Zambia, for example, reopened their border in May to facilitate transport of food, medical supplies, fuel, copper and cobalt exports. Yet, individuals were restricted from crossing over.

The toll on the African economy ties in with the effects on employment as well. With an estimated 24.6 to 30 million jobs expected to be lost, the total number of people living in extreme poverty could rise to a possible 463 million in Africa, according to AfDB.

What is clear, therefore, is the need for a concerted and deliberate effort to navigate through these unprecedented times, saving economies coupled with safeguarding livelihoods.

Supporting African livelihoods is at the heart of AATIF and our Partner Institutions as part of our commitment to Social & Environmental impact. Our Partner Institutions have taken action by ensuring proper on-site hygiene, revising business operations, seeking out CSR opportunities, and maintaining overall compliance with government directives (see also Social & Environmental Review and Impact section)

New Investment Activities & Disbursements

During the quarter, the Investment Advisor has expanded its co-operation with its partners in Africa to build up capacity to underwrite transactions while international mobility of people remain heavily restricted. The Investment Advisor further notes that opportunities became smaller in size and the liquidity need is highest for smaller companies and banks.

AATIF is in process of documenting a trade finance facility for an SME (growth) business. Funding, which is targeted to be provided no later than Q4 2020, is to be employed for procuring i.a. organic soybeans and sunflower seeds from over 30,000 smallholder farmers in Tanzania, Benin and Nigeria, and selling these to Europe and the US.

The balance of transactions in the execution stage by the end of June stood at USD 12m. Investments on which due diligence is on-going summed up to USD 81 spread over 10 opportunities as of Q2 quarter end.

Existing Investment Portfolio

AATIF had increased provisions for potential losses for three investments in Q1 2020. Of those three investments for which provisions had been increased effective 31 March 2020, two met their financial obligations against AATIF on time and had withdrawn

[1] African Economic Outlook 2020 – Supplement Amid COVID-19

the moratorium request. Provisions for these could be reduced again effective 20 June 2020. The third, Phoenix, however has shown no sign of recovery. In contrast, most Phoenix group companies have been brought into liquidation by its creditors. Subsequent to the last valuation, findings from Phoenix's liquidators and the Investment Advisor to AATIF have caused AATIF to fully provision the EUR20m exposure to Phoenix. This provisioning reflects the view that the recovery process for the funds AATIF provided to finance cashews produced by smallholders in the Ivory Coast will be lengthy and uncertain in its outcome. In accordance with IFRS requirements, this increase in provisions for Phoenix is effective 31 March 2020 as a subsequent event to the previous valuation.

The annual facility for Orabank came to an end on schedule. The facility was provided to allow the bank to refinance the peak demand for liquidity during cocoa harvesting periods. AATIF successfully placed its liquidity to help overcoming the gap. Together with AATIF, the bank built internal social and environmental capacity to manage related risks and impacts in its agri portfolio. AATIF and Orabank remain in close communication to determine on a future collaboration. Further repayments were received i.a. from, BancABC which made its first USD 4m instalment on schedule and ETG which repaid USD 6m allowing AATIF to heal reduce the single obligor breach which stands at 15.4% as of 30 June 2020.

The new mineral plant of Cooper K-Brands Limited (CKL) which AATIF financed was commissioned, producing since 64% of all the mineral products sold by CKL and lowering cost of production while increasing value added production in Kenya. CKL also successfully filled the position of group sustainability communications manager, which is partly funded by AATIF. The company launched 5 new crop care products, increasing its market as it also seeks to diversify its product range from the traditional animal health and nutrition products.

CKL is classified as an essential service provider in Kenya, enabling it to continue faring well despite the disruptions in international logistics brought on by the COVID-19 pandemic.

Capital Raising Activities

As long as the value of C-Shares remains below 1/3 of Total Assets, AATIF will have to raise additional C-Shares to be able to provide medium to long term financing to existing and prospective Partner Institutions. AATIF is in ongoing exchange with existing investors of AATIF to increase their capital contributions. The Investment Advisor expects the demand for liquidity and capital for African companies to dry out latest when economic activities are re-bouncing. With the existing pipeline and portfolio of Partner Institutions, AATIF will be well positioned to serve the demand. As such AATIF believes that additional C-Shares can be expected during the rest of 2020 to be paid in.

Fund Performance & Liquidity

AATIF kept a high proportion of liquidity during the quarter in order to ensure that the Fund can respond to upcoming challenges. On the return side, the Investment Advisor observed a continued low interest rate environment given the subdued investment activities in the market. New investments are needed by AATIF in the course of the upcoming months in order to turn liquidity into interest producing assets. As soon as AATIF has gained sufficient comfort that additional C-Shares are being paid in, the investment activity is expected to resume.

Investment Portfolio Restrictions

Due to the increased amount of provisions the NAV of C-Shares has fallen below the target value of 1/3. AATIF shall therefore prioritise increasing the C-Share capital before it can expand its investment activities.

The single obligor concentration limit related to the ETG investment remained also above the target value as of 30 June 2020. By 12 Mai 2020 ETG repaid USD 6m as agreed reducing the exposure to USD24m. The current balance represents 15.4% of Total Assets as of 30 June 2020 against the set limit of 15%.

Further details can be found in the section “Portfolio Risk Summary”.

Social & Environmental Review and Impact

During Q2 2020, AATIF's Compliance Advisor reached out to all AATIF Partner Institutions to discuss the social and environmental challenges arising from the COVID-19 pandemic, as well as to provide guidance in terms of priority areas of action and resources.

Across the board, AATIF Partner Institutions reacted quickly and followed national guidelines on how to manage the situation. No lay-offs were reported to date as a consequence of the crisis. The main areas where actions were implemented included:

1. On-site measures, including hygiene and social distancing as well as temperature checks, applied to staff but also third party workers;

2. Constant communication (helpdesks, mailing) with internal and external stakeholders including partners along the value chain to address anxiety and concerns;

3. Adapted business operations, such as incentivizing digital payments, using alternate working arrangements like telework / part-time work / reallocating staff to different tasks / using leave, accelerating teleworking policy design and implementation plus ensuring that adequate equipment and stable internet connection are provided to staff;

4. Corporate Social Responsibility actions, supporting government and communities in their efforts to fight COVID-19.

Even in the face of the challenges presented by the pandemic, Partner Institutions kept their effort in improving their Social and Environmental Management Systems. CKL's holding company, Kzanaka Ltd, approved a sustainability policy for the group, setting guiding principles for its operations, as well as assigning responsibilities for implementation and defining monitoring mechanisms. Moreover, AML obtained board approval of its new Occupational Health and Safety policy.

Finally, as part of AATIF's impact measurement efforts, another round of Rapid Appraisals was tendered, and the consultants who will perform assessments of three additional Partner Institutions were selected (AML, Mount Meru and Amsons). Company-level data will be collected during Q3 2020 and the results are expected by the end of this year.

Technical Assistance (TA) Update

Most recently, the TA Facility Manager, together with the Investment Advisor participated in the Steering Committee meeting for a mobile application, which was developed and set-up with Centenary Bank in Uganda and mPex International. The mobile application, which will facilitate access to the bank's services for SMEs active in the agricultural sector, was released on the Google Play store in the previous quarter. The Steering Committee recently discussed what steps to take going forward, amidst uncertainty caused by the global pandemic.

Overall, the TA Facility portfolio currently consists of 26 operational projects with several interventions in the pipeline under development.

New TA Activities include preparatory TA for an independent evaluation of a leasing concept developed by a potential AATIF investee with a focus on its commercial viability and impact on the agriculture sector in Tanzania.

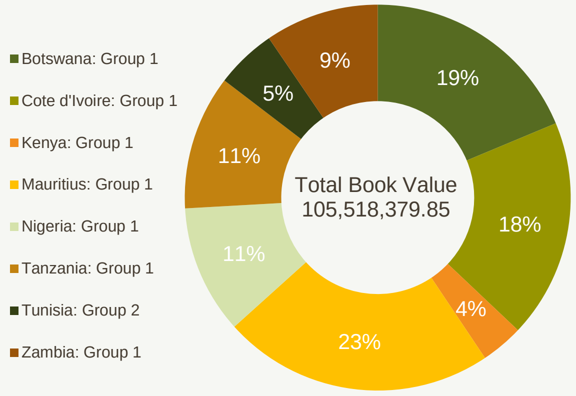
Existing TA Portfolio: In Zambia, a TA Facility financed consultant has delivered preliminary proposals on the development of new products for maize and wheat based product differentiation of the Milling company AML.

The TA Facility is also further proceeding with the implementation of a study on the effects of the pandemic on smallholder farmers who supply AATIF investees with raw material. For this a team of consultants has now been identified who will undertake fieldwork in several East African countries simultaneously, starting in Q3. The resulting study will form the basis for appropriate future Technical Assistance interventions to mitigate these effects.

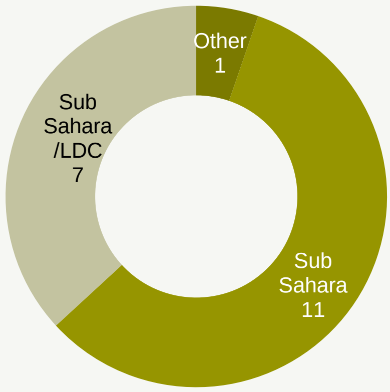
During Q2 2020, the design of an outgrower scheme for smallholder wheat farmers to increase Amsons' share of locally produced wheat for processing took further shape. While the practical establishment of such a scheme will have to wait until the COVID-19 situation permits, a larger TA programme to assist Amsons with the implementation and operation of such a scheme is currently under development with a goal to be ready in principle in Q3 2020. Such a scheme will potentially connect around 2,500 Tanzanian farmers with a stable off taker and provide access to high quality inputs and finance. A similar TA project to enhance the yields and improve the organization of smallholder suppliers for Mount Meru Millers in Zambia will also be submitted to the AATIF TA Facility Committee for approval in Q3.

Portfolio Overview as at 30/06/2020

Book value – Country & Rating Category



Transaction Geography (# of investees)

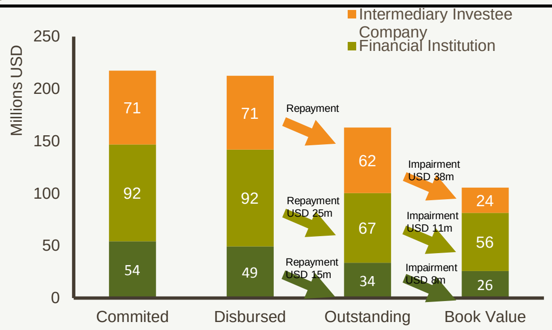


Group 1 and 2 allocation is performed based on a review of the country risks across the continent on a regular basis.
Group 3 applies to Supranationals.

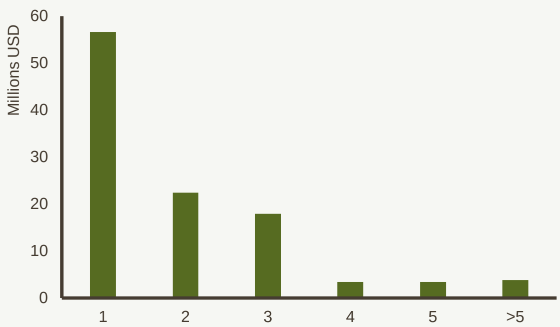
LDC: Least Developed Countries

The country allocation of the investment is linked to the place where the legal residency of the investee/ the economic risk bearer is registered.

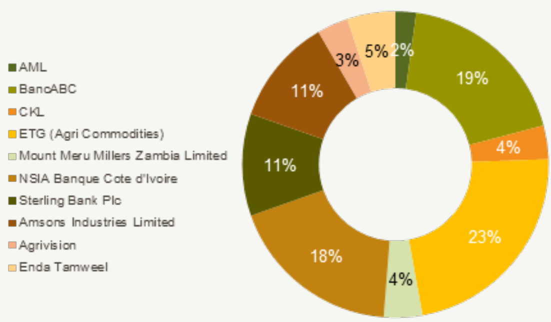
Type of Partner Institution



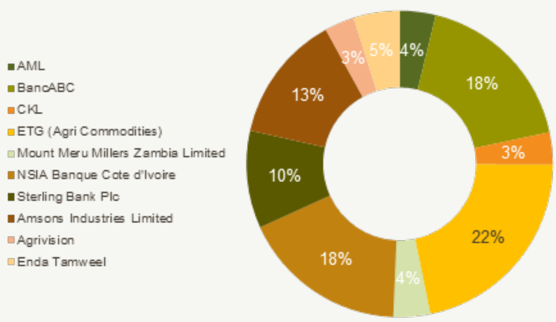
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



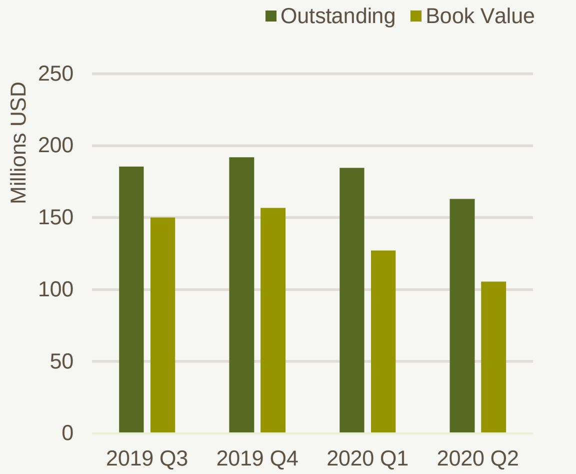
Partner Institution: Net Balance + Unused Commitment



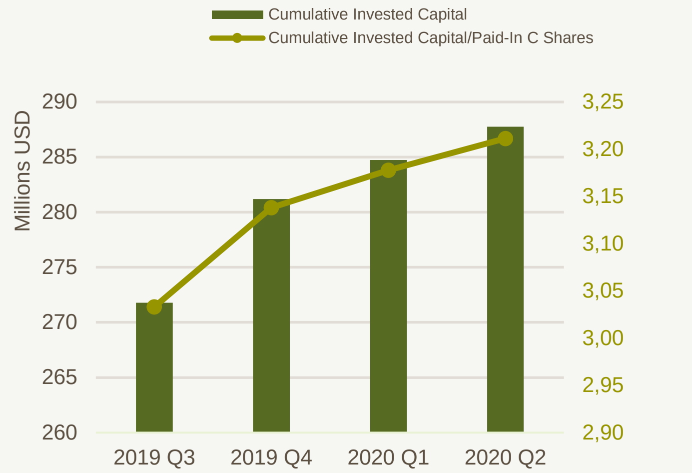
Provisioning Overview[2]

Provisions on invested capital beginning Q2 2020	USD	57,330,680
Release of Provisions	USD	0
Increase of Provisions	USD	52,443
Write off	USD	0
Provisions on invested capital end of Q2 2020	USD	57,383,123
Movement during Q4 2019	USD	+52,443

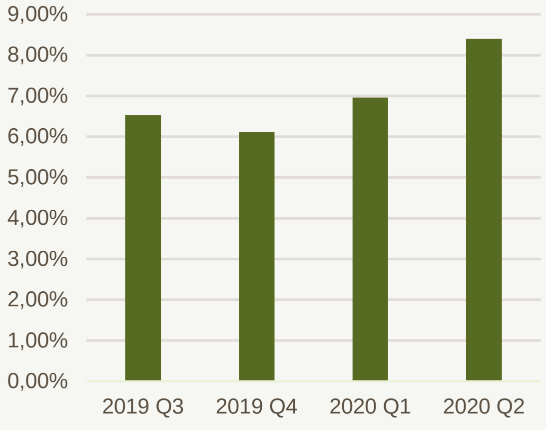
Investments Outstanding



Cumulative Invested Capital vs Paid-In C Shares



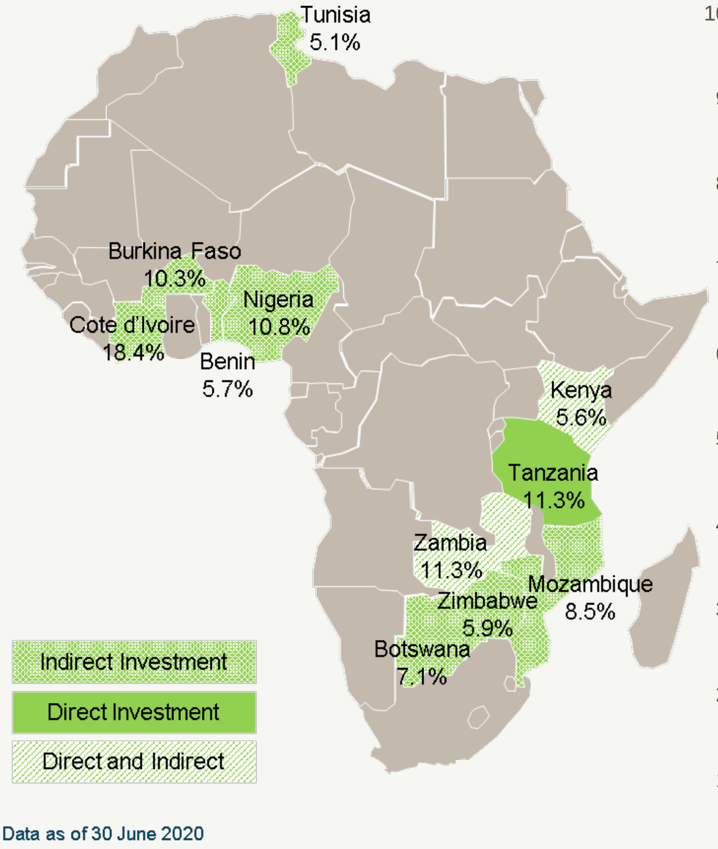
Gross Yield

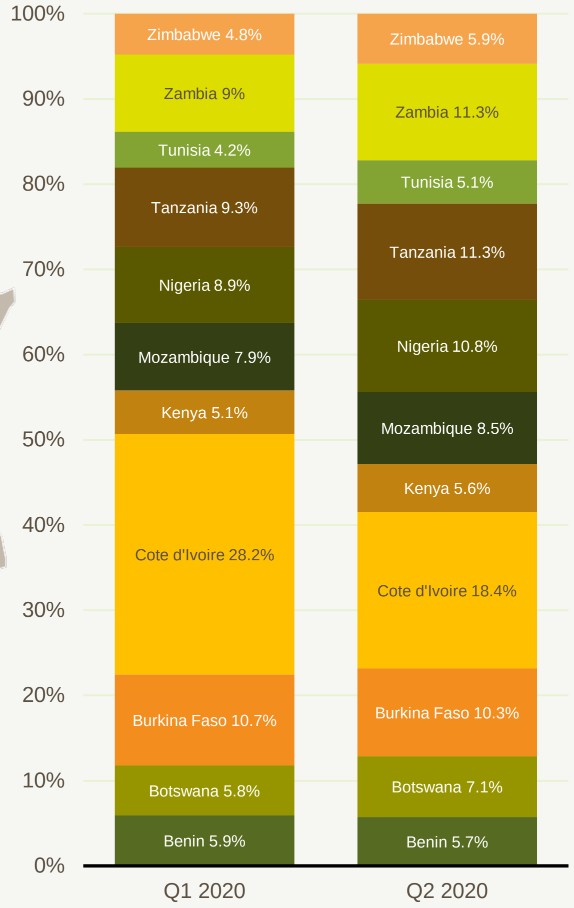


[2] The opening balance reflects the increased amount of provisions effective as a subsequent event to 30 March 2020 and deviates from the previous quarterly report.

Regional Use of Funding (Data as of different dates)

Funding from AATIF is generally used by investees across the region of their activities. ETG as a trading company, for example, reports the use of funding from AATIF in accordance with its trading activities which constantly change. While loan documentation limits the regional use of funds to the African continent, the single country allocation changes over time. The methodology used by the IM to allocate the funding into the respective countries is explained below.



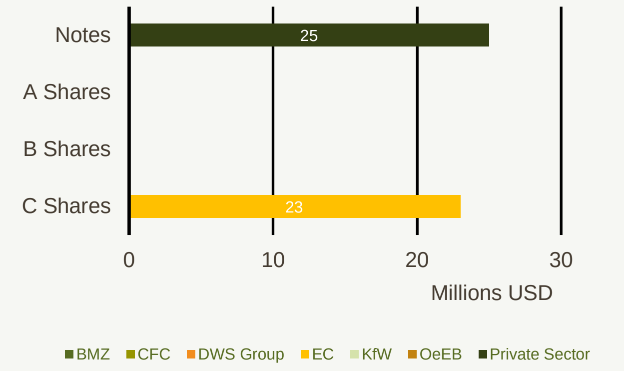


The “Use of Funding Allocation” applies the following methodology:

1. The net loan balance (after redemptions, provisions or write downs) is being used;
2. For direct investment companies (DICs), the country allocation is determined by the purpose of the loan;
3. For intermediary investment companies (IICs) and financial institutions (FIs), the country allocation is determined applying the distribution of the reported reference portfolio of loans to borrowers that are part of an agricultural value chain to the net value of AATIF's investment.

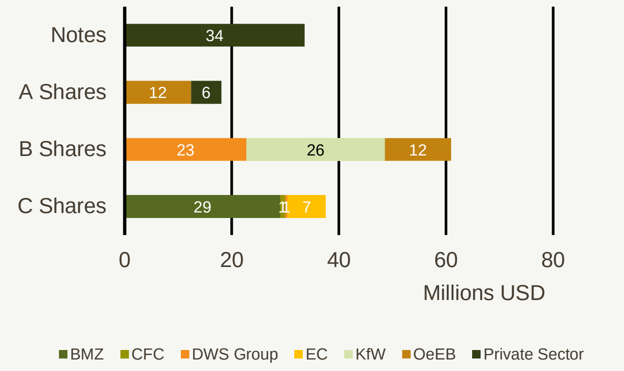
Investor Capital Structure as at 30/06/2020

Undrawn Commitments



Total amount of undrawn capital: USD 48m

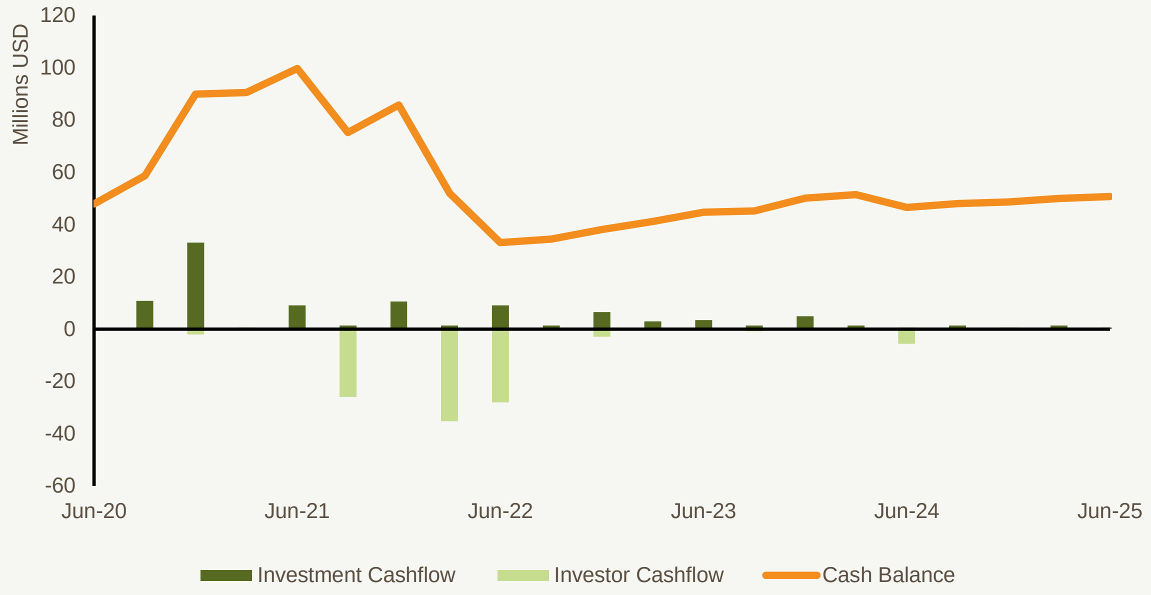
Net Asset Value (NAV) of Outstanding Shares



NAV of the Fund includes cash and other value elements

Asset-Liability Cash Flow Profile

Cash Flow Forecast as of 30/06/2020



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Collaboration Partners:

Investors:

Disclaimer

All statistics, data and values presented in this report, unless otherwise specified, are based on non-audited figures of the financial model and reporting tool of the Africa Agriculture and Trade Investment Fund. Care has been taken in preparing the financial model and the statistics presented in this report but no representation, warranty or undertaking (express or implied) is given or will be made and no responsibility or liability is or will be accepted by the Africa Agriculture and Trade Investment Fund or any of their respective officers, directors, employees, collaboration partners, service providers or agents in relation to or concerning the content, completeness or accuracy of any information, opinion or other matter contained in this report.

Imprint

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