

AATIF INVESTOR REPORTING

Report for the quarter ending 31/12/2023



Activity Report Q4 2023

Quarterly Developments

The last quarter of 2023 ended well for AATIF in many regards. The Fund could increase its investment activities disbursing funding to three new Partner Institutions. Within the first three quarters of its financial year AATIF disbursed USD 91m to new and existing Partner Institutions. To match the business plan until the end of its financial year (March 2024) another USD 19m need to be invested.

On the profitability side, AATIF could continue to show a healthy performance. The same is supported by the increased number of fully performing investments, as well as the recoveries AATIF could achieve from some of its non-performing investments, coupled with a tireless effort by the Fund to recover funds from defaulted positions.

As a result of the continued stable financial performance AATIF was able to accrue the regular target dividends for shareholders, while amortising 100% of the target dividend deficiency on the Class B shares.

Financial profitability is only one side of the coin. Alongside capital being deployed, we see a continued expansion of the impact contributions from Partner Institutions and the technical assistance projects showcasing tangible contributions to change along the value chains AATIF is engaged in via its Partner Institutions. We are proud to share some of these highlights in the following summaries.

New Investment Activities & Disbursements

In Q4 2023, three new investments were closed by AATIF and disbursed. The first is the continuation of a successful partnership with Banque NSIA in Côte d'Ivoire and to which AATIF extended a second facility of EUR 20m following the end of the first facility. NSIA serves local co-operatives and aggregators that link smallholder farmers with local and international markets. The existing client base and the related experience makes NSIA well positioned to contribute to the national priority for the Côte d'Ivoire to become a self-sufficient nation with regards to its food supply.

The second new investment involved teaming up for the first time with NMB Bank Tanzania. As a bank that serves the sector with systematically important solutions, NMB aligns with the AATIF mission in several ways. It covers small farmers by providing

input financing, working capital, and insurance solutions, including crop insurances to wholesale clients as well as long term capital for value adding producers. Over the past years the agricultural loan book of NMB grew 46% on average, also a reflection that the bank is filling the gap of international banks leaving the agricultural value chains in the region.

The third investment closed is a multi-borrower facility for AFCOM / Afrisian. Having its roots in the Tanzanian cotton sector, AFCOM & Afrisian are sister companies and active in trading soft commodities across the African continent. AATIF is financing trade flows for the import of fertilizer as well as the export of sesame and cotton from Malawi and Mozambique. Structured as a collateral managed facility, AATIF has teamed up with Nedbank as a co-financing entity for the flow of goods.

Lastly, AATIF continued to disburse funding into the existing trade and commodities financing facilities. On these the AATIF team sees a trend continuing: reliable, short term liquidity supply is a challenge for local businesses to access – but vital for the value chains to function. While AATIF has gained good experience by now in a range of value chains, the additionality of AATIF's capital in this sector is well received by its Partner Institutions.

Existing Investment Portfolio

While global macroeconomic developments continue to affect all countries, in Nigeria in particular, policy decisions by the current government have been taken to address the rising cost of living and food insecurity. The low FX reserves and removal of fuel subsidies had an inflationary impact on the economy leading to the rise in the cost of energy and production. Food inflation stood at 35 percent, with a general increase in food production and prices expected due to this. The national government has subsequently declared a state of emergency, putting in place measures to arrest the key drivers of food inflation.

Despite this, the agricultural sector continues to grow. In fact, due to the floating of the currency, local production became more price competitive in comparison to imported raw food. Over the quarter, **Sterling Bank Nigeria** reported growth in their agri portfolio, driven primarily by aligning their initiatives with several government interventions. The bank is

directing funding to supporting primary production, input financing, processing, and the related infrastructure, to address the continued food insecurity.

Another investment company that saw a shift in demand is **Robust** for which the AATIF IC approved extending the facility's availability to other crops to be financed during the quarter. Together with cashews, sesame and soy, AATIF is expanding the financing base to pigeon peas from Mozambique and Tanzania. Protein-rich pigeon peas are a vital part of the food supply mainly to India and the APAC region – and for the two East African countries and farmers, an important crop producing cash income.

Social and Environmental Review

On the S&E side, the AATIF Partner Institutions in Zambia began to prepare for the implementation of changes made to the national regulations on minimum wages and conditions which were approved in November 2023 and will take effect on 1 January 2024. The review of the minimum wages represented a critical step towards ensuring that the country's workforce, particularly those in lower paying employment sectors, receive improved conditions of service to align better with rising cost of living that affects livelihoods.

Still in Zambia, **260 Brands** started working on an environment, health, and safety (EHS) plan. The plan will cover training on fire safety, personnel, and industrial hygiene, as well as waste management for the year 2024.

In Kenya, **CKL Africa** joined the [Kenya Hazardous Waste Producer Responsible Organization \(KEHAPRO\)](#) Initiative. The initiative seeks to support the collective efforts of manufacturers to address and manage waste from hazardous products packaging, in line with the Extended Producer Responsibility (EPR) Regulations (2021). As a contribution, CKL is classifying and filing respective volumes of its products packaging with KEHAPRO, a move that prompts business to seek alternative and lighter forms of packaging.

To close the S&E updates of the DIC/IIC portfolio, **ETG** completed some supply chain risk assessments, including a deforestation risk assessment across 11 African countries of operations. ETG started using the findings from these assessments to structure targeted remediation activities and supply chain projects. The company also released its [Sustainability Report \(2022-23\)](#) which, for the first time, used data from its Sustainability Dashboard that was built with the support of the AATIF TA Facility.

On the financial institution's portfolio, AATIF is proud to share that **Sterling Bank** completed a far reaching climate risk analysis and from what the Investment Advisor can see the most compelling initiative in the Nigerian financial sector so far. The analysis included both transition and physical risk assessment concerning the bank's operations and loan portfolio, aligned with the recommendation by the task force on climate related financial disclosures (TCFD). The final assessment report provided recommendations on evaluating and mitigating climate-related risks, thus forming the bank's sustainability strategy. The assessment has the potential as a valuable pilot for the AATIF to engage in similar TCFD and GHG emissions mapping TA initiatives with other financial institutions in the region.

Impact Measurement

During Q4 2023, AATIF concluded the Rapid Appraisals of two investments in financial institutions: an endline assessment for the investment in **BancABC** (Zimbabwe) and a baseline assessment for the investment in **NSIA** (Côte d'Ivoire). The rapid appraisal of BancABC shows how the AATIF had a catalytic effect in the bank's agricultural operations in Zimbabwe, and how the commitment from the bank to serve that market resulted in increases in productivity and income at the farmer level. Impact briefs summarizing findings from both studies will be available on AATIF's website in the next quarter.

AATIF also made progress towards concluding the endline Rapid Appraisal of **AgriVision**, AATIF's very first investment and that matured in Q3 2023. The preliminary findings show a significant positive impact of the investment on the living and working conditions of employees, their families, and the communities, as well as on land development. The assessment also was the first one that contained the newly introduced gender analysis in AATIF Rapid Appraisals.

In addition to impact-related research efforts, we also saw AATIF Partner Institutions innovating in financing structures. As the latest example, **ETG** developed a Sustainability-Linked Loan (SLL) and obtained a Second Party Opinion from Sustainalytics confirming alignment with the [Sustainability-Linked Loan Principles](#). This process is the culmination of the company's systematic S&E and impact management improvements implemented over the last years. The SLL is linked to the achievement of a set of KPIs formulated around carbon emissions and supply chain management and covering GHG emissions reduction (scope 1 & 2), deforestation, farmer extension services and gender empowerment. Sustainalytics considers the KPIs adequate and the targets ambitious. We are looking forward to seeing this structure move forward.

Technical Assistance (TA) Update

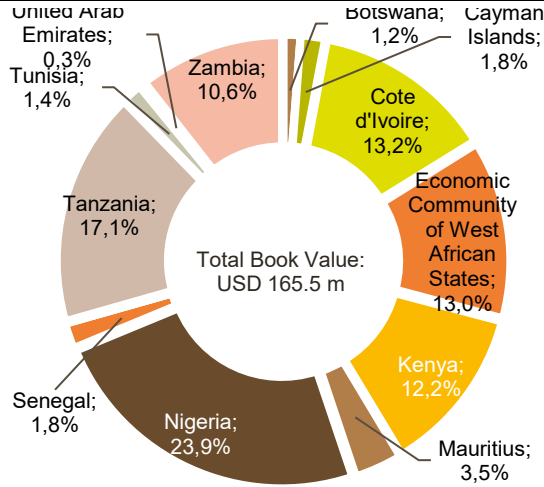
In Q4 2023, the TA Facility Committee approved two new TA projects. One project involves collaborating with AATIF investee **African Milling Ltd (AML)** to improve its Social and Environmental Management System (SEMS) in line with international best practices and the AATIF Development Impact Statement. This initiative is crucial as the company transitions from a family-run business to a corporate entity, underscoring the importance of a SEMS in fostering responsible business practices. The TA Facility Manager is currently developing a detailed Terms of Reference for the project in collaboration with AML, with the tender expected to launch in Q1 2024.

The second approved project focuses on supporting the expansion and diversification of a Partner Institution's existing product portfolio to include climate-resilient seed varieties adapted to the local climate, targeting smallholder farmers within the existing distribution network. The project includes subsidising the salary of the key new position of seed business development manager for two years and to provide additional support for establishing demo plots and providing training to farmers. AATIF believes this initiative is a significant step forward to support climate change adaptation through its portfolio companies.

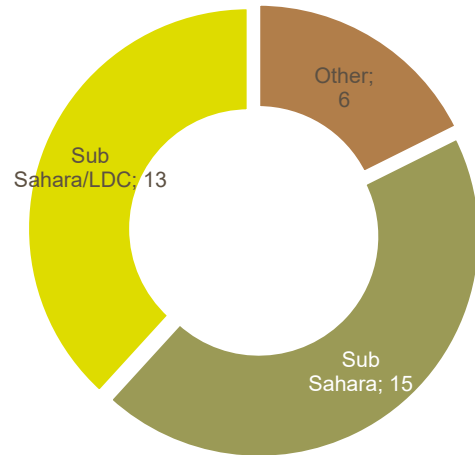
Having a look at the pipeline the TA Facility Manager is preparing project proposals focused on strengthening smallholder farmer cooperatives across various value chains through provision of extension services and improving access to agricultural mechanization in Zambia. Several investees highlighted concerns regarding the effects of climate change on the agricultural sector in Zambia. The TA Facility Manager is exploring the possibility of undertaking a study to better understand how climate change will affect smallholder farmers and supply chains in the country.

Portfolio Overview as at 31/12/2023

Book value – Country & Rating Category



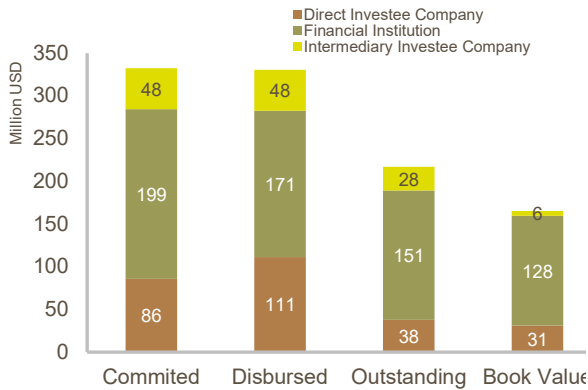
Transaction Geography (# of investees)



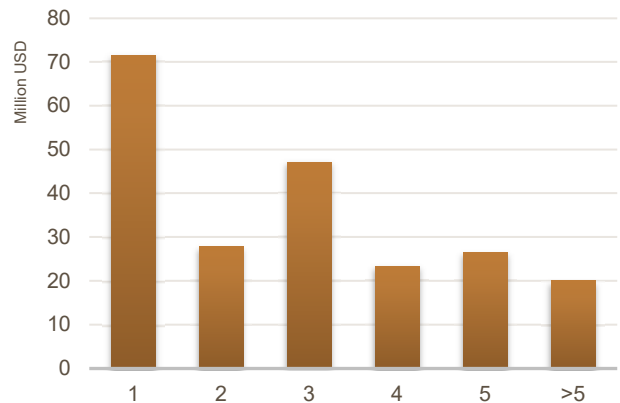
The country allocation of the investment is linked to the place where the legal residency of the investee/ the economic risk bearer is registered.

SSA: Sub-Sahara Africa
LDC: Least Developed Countries

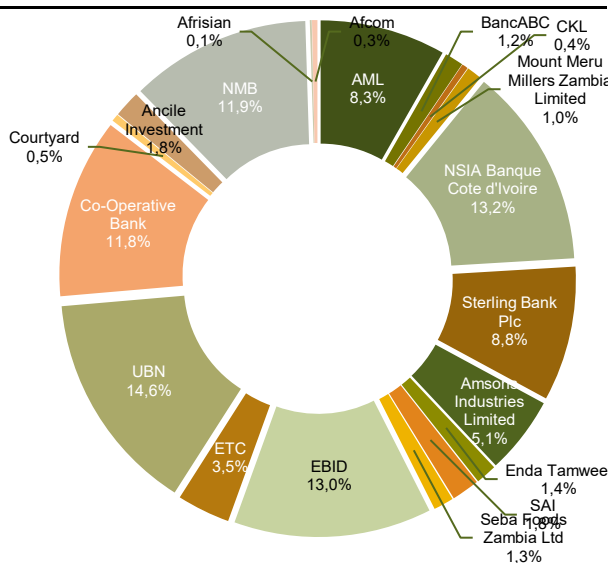
Type of Partner Institution



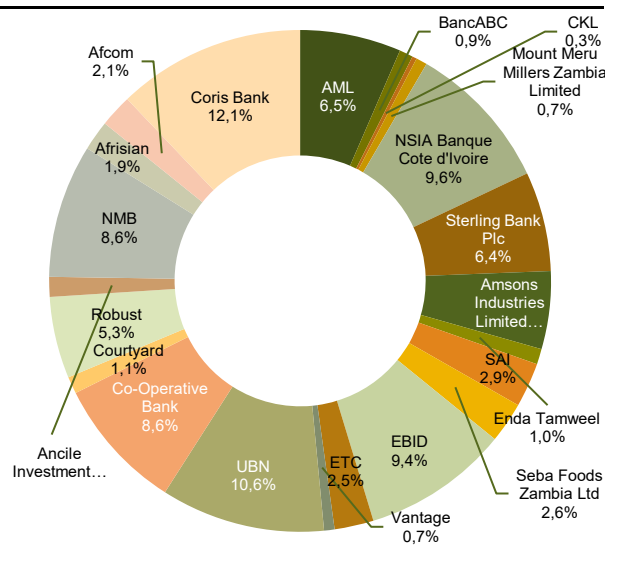
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



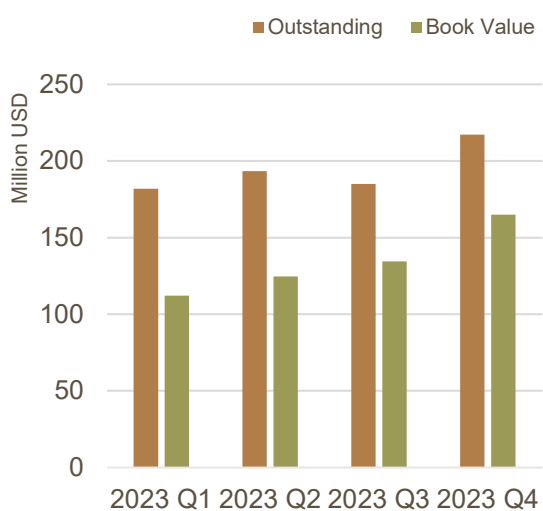
Partner Institution: Net Balance + Unused Commitment



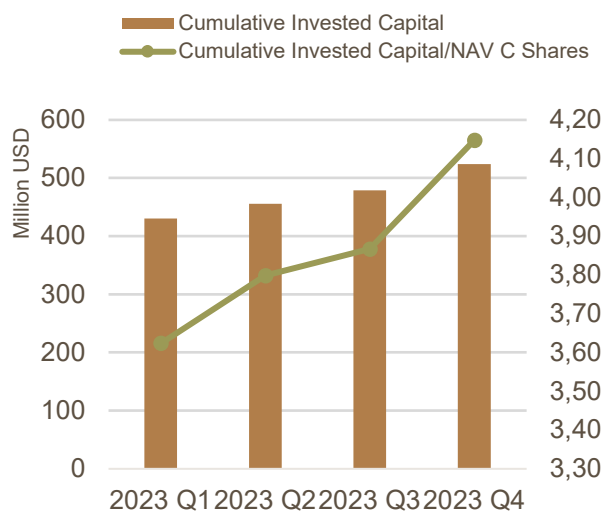
Provisioning Overview

Provisions on invested capital beginning Q4 2023	USD		50,476,933
Release of Provisions	USD	-	255,453
Increase of Provisions	USD	+	2,139,097
Write off	USD	-	-
Provisions on invested capital end of Q4 2023	USD	=	52,360,577
Net Movement during Q4 2023	USD	+	1,883,644

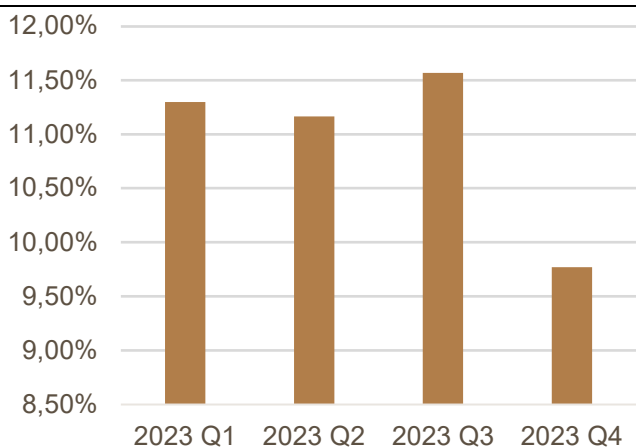
Investments Outstanding



Cumulative Invested Capital vs NAV C Shares

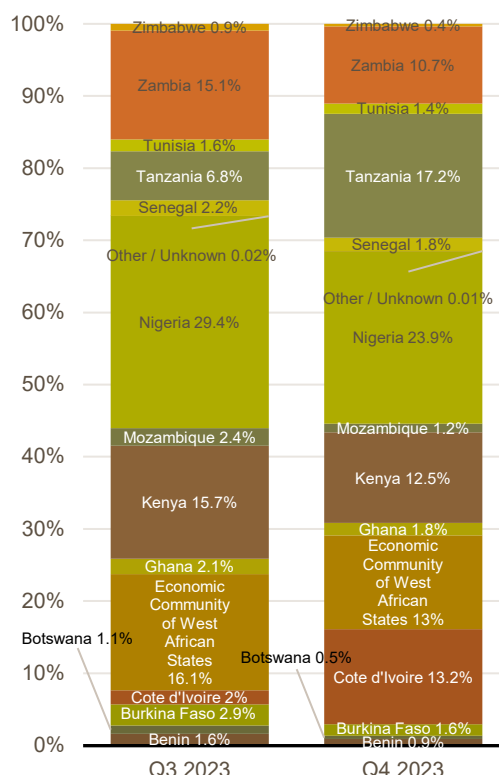
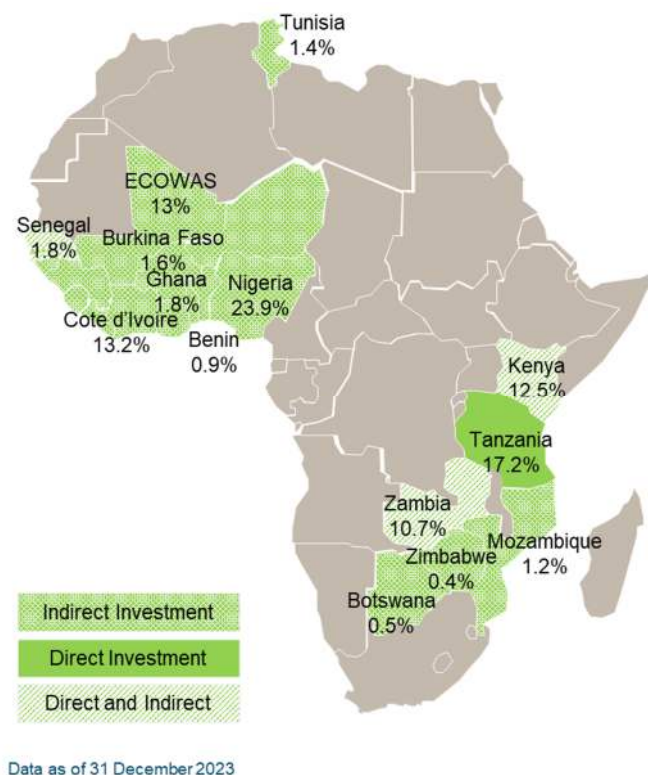


Gross Yield



Regional Use of Funding (Data as of different dates)

Funding from AATIF is generally used by investees across the region of their activities. Trading companies, for example, report the use of funding from AATIF in accordance with their revenues generated from their trading activities in respective countries. Due to the seasonality of the agribusiness, revenues linked to a specific country change throughout the year. While loan documentation limits the regional use of funds to the African continent, the single country allocation changes respectively. The methodology used by the IA to allocate the funding into the respective countries is explained below.

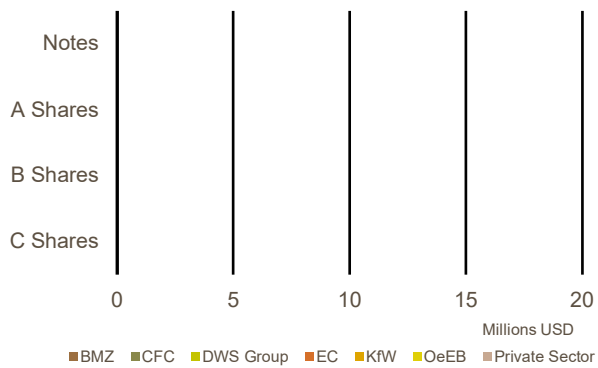


The "Use of Funding Allocation" applies the following methodology:

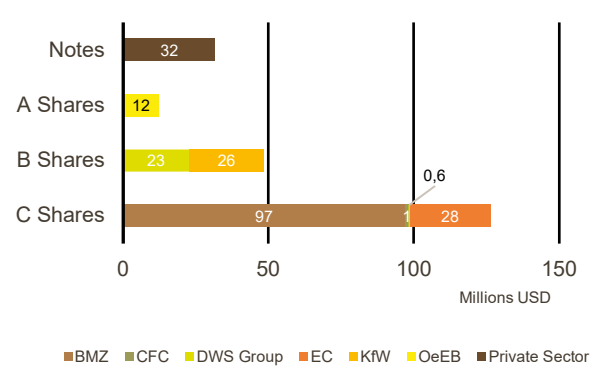
1. The net loan balance (after redemptions, provisions or write downs) is being used;
2. For direct investment companies (DICs), the country allocation is determined by the purpose of the loan;
3. For intermediary investment companies (IICs) and financial institutions (FIs), the country allocation is 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 31/12/2023

Undrawn Commitments



Net Asset Value (NAV) of Outstanding Shares

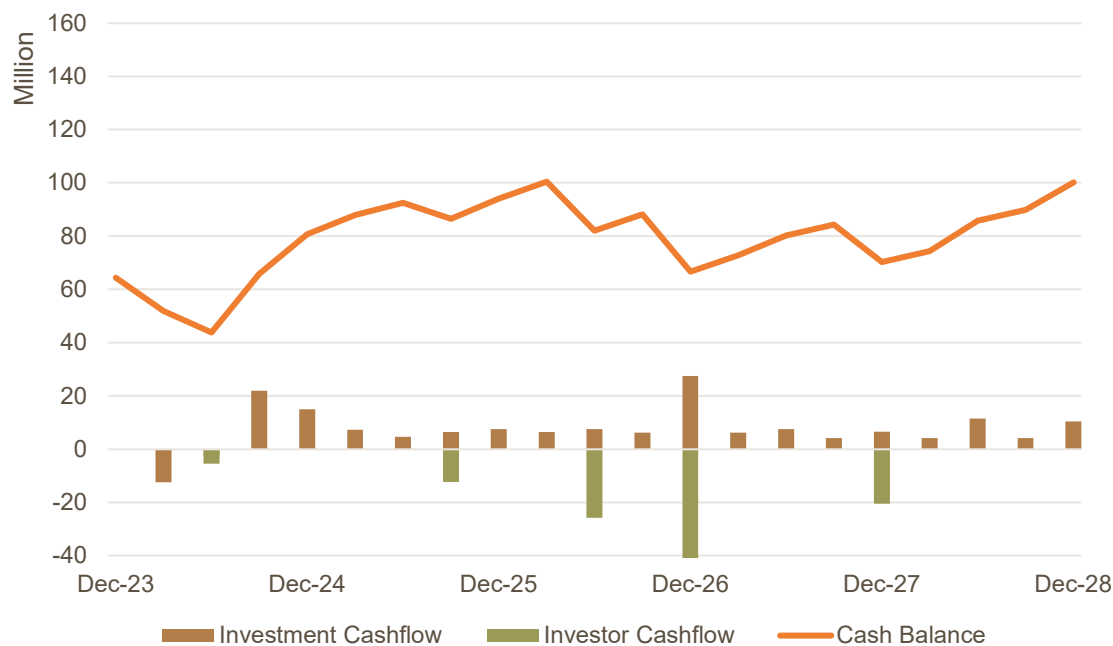


Total amount of undrawn capital: USD 0

NAV of the Fund includes cash and other value elements

Asset-Liability Cash Flow Profile

Cash Flow Forecast as of 31/12/2023



Contact Persons.

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Collaboration Partners and Selected Investors

Initiator:



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.

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