

AATIF INVESTOR REPORTING

Report for the quarter ending 30/09/2019



Activity Report Q3 2019

Regional Developments

Recently the IMF¹ portrayed the complexities which the African continent has faced in the third quarter of 2019. While growth prospects remain positive in general, at 3.2% in 2019 and expected to rise to 3.6% in 2020, uncertainty abounds. For two-thirds of the countries in the region, this pace of growth is slower than had been anticipated and this is only partly due to a challenging external environment.

A recent survey by the European Commission shows that 75% of Europeans believe the EU should strengthen its partnership with Africa and increase investments on the continent to boost job creation and development². It continues to be felt that economic opportunities exist in such partnerships even in times of uneven growth. The continent is no longer being viewed as a recipient of aid, but as a region that is investment worthy and a strong business partner.

New Investment Activities

In Q3, AATIF executed two new investments: (i) Phoenix Commodities for export of cashews from Ivory Coast and (ii) Amsons, a Tanzanian miller for capacity expansion of their wheat milling plant. These investments deliver a good balance between supporting trade and value added production. The balance of transactions in due diligence stage by end of September 2019 stood

at USD 52m spread over five opportunities.

We are pleased to see an increase in granularity of single investments and a continued diversification also by region and industry. All three factors contribute to a healthy balance between risks in the investment portfolio and the ability of AATIF's capital structure to provide sufficient credit support to its private sector investors. On the other side, we are pleased that AATIF could invest 4.8 times the C-Share contribution from its existing C-Share investors.

Existing Investment Portfolio

Active investments have shown a stable performance during the last quarter. Since the last downgrade of Zambia, no further credit event was observed in the portfolio of AATIF or the region it is invested in. Although the provisions have been increased as a function of IFRS 9 requiring to book provisions as soon as a loan is being disbursed, the preliminary results conclude that the Fund could produce a positive net result.

The Trade and Development Bank repaid the third and last tranche of USD 10m on schedule. It ends a very successful partnership with one of the very first investments AATIF made. Over time, TD Bank supported a range of agricultural projects. We have enjoyed a constructive relationship during which AATIF could contribute to the development and build out of TD Bank's S&E system.

Another noteworthy development from our portfolio companies was that Coopers-K-Brands Kenya (supplier of animal health and crop production inputs in Kenya, East and Central Africa) has introduced a new product called "Stockosorb" for distribution to Kenyan farmers. The hydrogel developed by Evonik retains water in the soil for periods of drought, which is to help adapt to changing rainfall patterns. AATIF gradually observes more and more demand for climate change adaptation solutions and seeks for options how to support this trend financially and with technical assistance.

Capital Raising Activities

Given the successful investment activity and having raised EUR 30m in capital from the private sector, AATIF expects to receive the next C-Share contribution by the European Commission during the upcoming months. The next tranche is expected to back a further raise of capital in the private market.

Investment Portfolio Restrictions

AATIF remains to be in breach with regards to the single obligor concentration limit related to the ETG investment. Further details can be found in the section "Portfolio Risk Summary" while the Board continues to believe that the breach does not pose an immediate threat to AATIF.

¹ IMF (10/ 2019) Sub-Saharan Africa Regional Economic Outlook: Navigating Uncertainty

² European Commission (10/2019) Special Eurobarometer 494

New Investments Q3 2019

USD 20m facility for Phoenix Commodities Pvt

Phoenix is a global food and agribusiness company operating across the value chain in production, procurement, processing, trading and distribution across five continents. Its activities are managed through 25+ offices that connect over 70 origin and destination markets. Its 2,500+ strong team manages 45+ supply chain assets and facilitates the production and / or trade of more than 12m MT of essential commodities and goods, supplying over 4,000 customers worldwide. Phoenix has been active in Africa since 2002, operating in 22 countries mainly focusing on the import of foods to date. Since last year the company has strategically started to expand its Africa operations by setting up farming entities, developing plans to invest in processing units and finally increasing its export activities out of Africa focusing on cashew, beans and pulses.

AATIF's EUR 20m loan with a tenor of 4 years will be used for the purchasing and export of cashew nuts from Côte d'Ivoire, therewith underpinning the country's strategic reorientation towards exports. With the country being the world's largest producer of cashew nuts, increased exports will benefit not only the larger economy, but those working across this agricultural value chain. According to the World Bank, Cashew is predominantly grown by small scale farmers (see Box 1).

Box1: Cashew potential for poverty reduction and jobs creation ³

Cashew trees are grown by some 330,000 households (impacting more than 1.9 million people) in the poorer, northern half of Côte d'Ivoire, where the cashew crop has become the most important source of rural cash income. Cashew production clearly is a key source of growth in the North, where it can generate inclusive rural employment through farming and rural industrialization. The United Nations Industrial Development Organization (UNIDO) estimated in 2015 that cashew processing could create some 440,000 jobs (of which more than half going to women), delivering more than USD400m in wages per year to the local economy. The country would also benefit from the foreign exchange value of those exports, the use of by-products such as cashew nutshell liquid to produce natural chemicals, and the use of shell residues for energy in rural areas. To the extent that the government implements its strategy for removing constraints on competitiveness in the cashew value chain, the value of Ivorian cashew exports could grow by 15 percent annually over the next decade.

Phoenix is the second investment by AATIF in a pan-African trading company that focuses on connecting a smallholder crop to international off-takers. Export trade suffers from local and regional banks not providing sufficient credit for cross-border trades. Hence the importance of having trading companies with the capacity to match flows of goods with funding that is made available from the international market. Phoenix is a good example in this regard having successfully focused on niche markets and entering markets in a very selective way.

USD 15m facility agreement with Amsons, a miller in Tanzania, for the expansion of its milling plant

AATIF completed the funding of the family-owned and locally operated milling business, incorporated in Tanzania. The company is affiliated to other local businesses operating across various sectors in Tanzania for several years and has in recent years expanded its operations to include food processing by establishing a milling business. Amsons has an existing milling plant that has been operating at capacity, processing 150MT/day of wheat for local market consumption. This has necessitated the need to increase its milling capacity to 500MT/day and enhance its operations to meet the growing market demand for wheat based products in the country. AATIF has advanced a USD 15m debt funding for



³<http://documents.worldbank.org/curated/en/132801523584857502/pdf/Project-Appraisal-Documents-P158810-FINAL-Board-03212018.pdf>

capital expenditure and working capital for this expansion, which will enable the company meet its expansion objectives.

The AATIF investment supports local value addition and import substitution as the company has ongoing initiatives to improve the standards of wheat crop grown locally hence increasing their sourcing from local farmers. If successful, sourcing locally would be an innovation to the market supporting diversification options to farmers and creating new opportunities.

Amsons is a great addition to the AATIF portfolio, expanding AATIF's footprint into the Tanzanian market and enabling the economy to satisfy more of its flour consumption from local production. Through its technical assistance facility, AATIF will seek to further support the company in its strategy to secure more wheat locally, by jointly engaging with wheat farmers in the country to increase overall production and better yields.

Social & Environmental Review

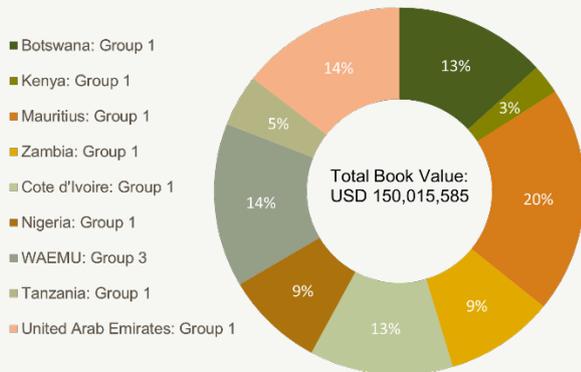
The portfolio companies continued to further develop their social and environmental management capacities which resulted in a number of measureable successes in Q3 2019. For example, as a result of Agrivision engaging with the Zambian Ministry of Land and Agricultural Resources, the company agreed to support an afforestation programme. Implementation will start in November 2019. In Tanzania, Amsons obtained the Environmental Audit Certificate from the National Environmental Management Council (NEMC) and developed a Social and Environmental Action Plan. The action plan will facilitate the implementation of a range of improvements suggested by NEMC as well as the AATIF Compliance Advisor. Lastly, Mount Meru in Zambia developed an afforestation programme. The programme will run over five years. As a result, Mount Meru will plant 1,500 fruit trees in the first year of implementation and increase the number of trees to more than 20,000 in subsequent years, along the maturing of the nursery.

Technical Assistance Update

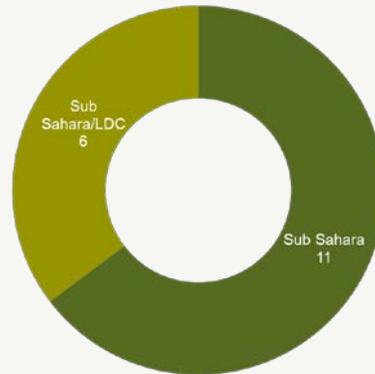
Alongside AATIF's investment activity, the TA Facility continues to grow its project portfolio. Currently it consists of 18 active projects. During Q3, three new projects have been approved by AATIF's Technical Assistance Facility Committee. One TA measure consist of expert support to a portfolio company that undergoes a strategy review of its business operations while two approved interventions are of preparatory nature to assist potential new investees to get ready for taking AATIF finance on board in the future: A family owned maize miller in Uganda receives assistance in upgrading his financial reporting standards, and in Kenya an agricultural input and farm equipment provider is being supported with the establishment of a separate company that shall provide sales credit to small and medium size farmers who do not have access to other sources of seasonal and short term credit.

Portfolio Overview as at 30/09/2019

Book value – Country & Rating Category



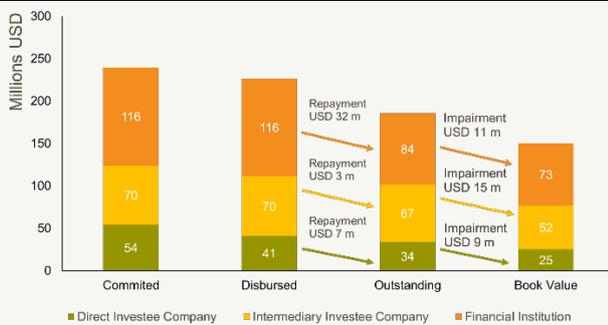
Transaction Geography (# of investees)



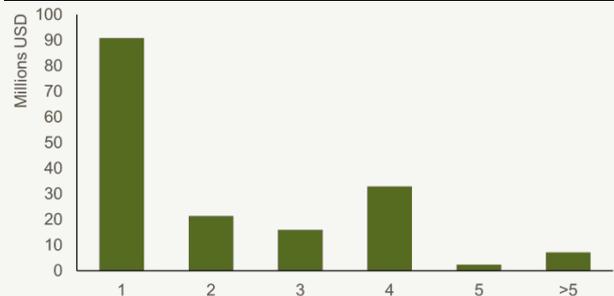
Group 1 and 2 allocation is performed based on a review of the country risks across the continent on a regular basis. Group 3 applies to Supranationals. LDC: Least Developed Countries

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

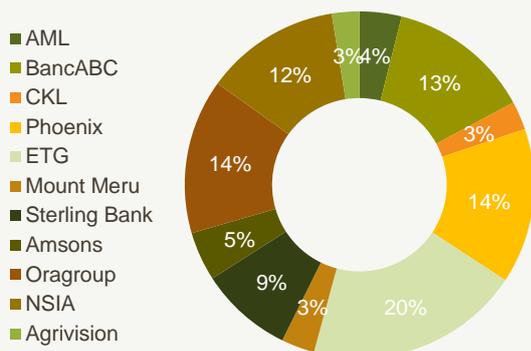
Type of Partner Institution*



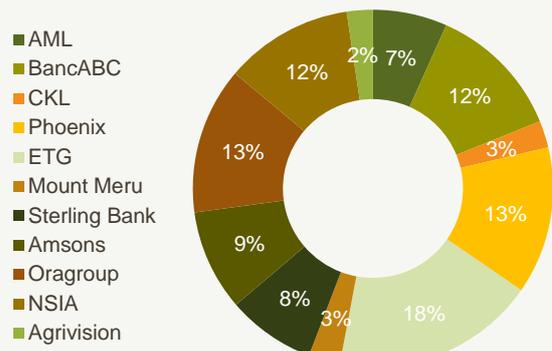
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



Partner Institution: Net Balance + Unused Commitment



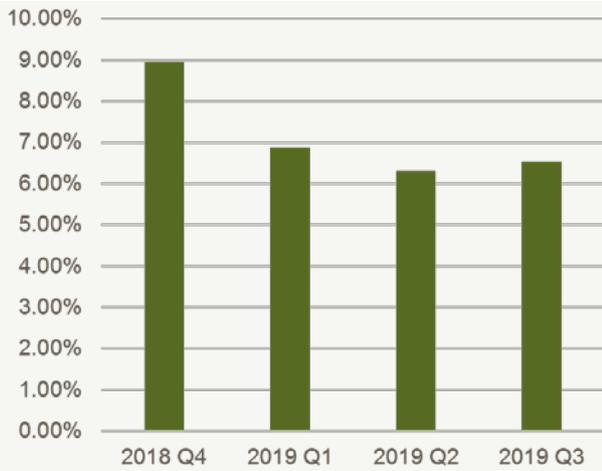
Investments Outstanding



Cumulative Invested Capital vs C Shares NAV

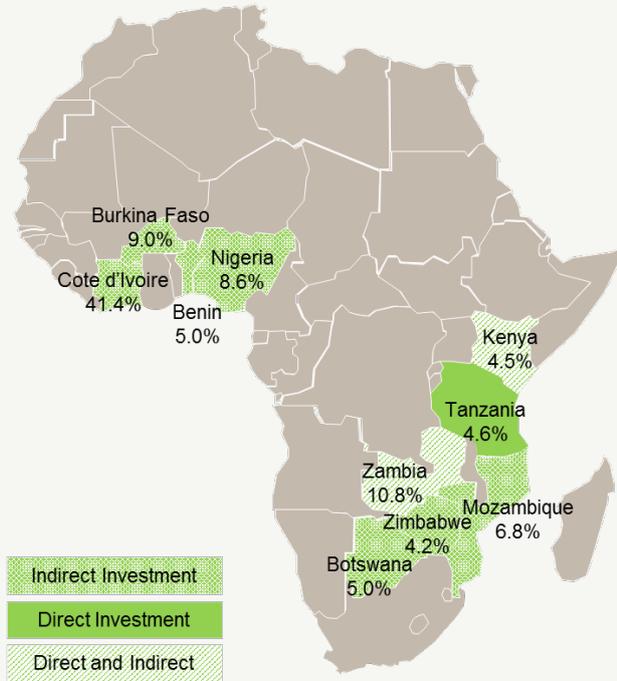


Gross Yield

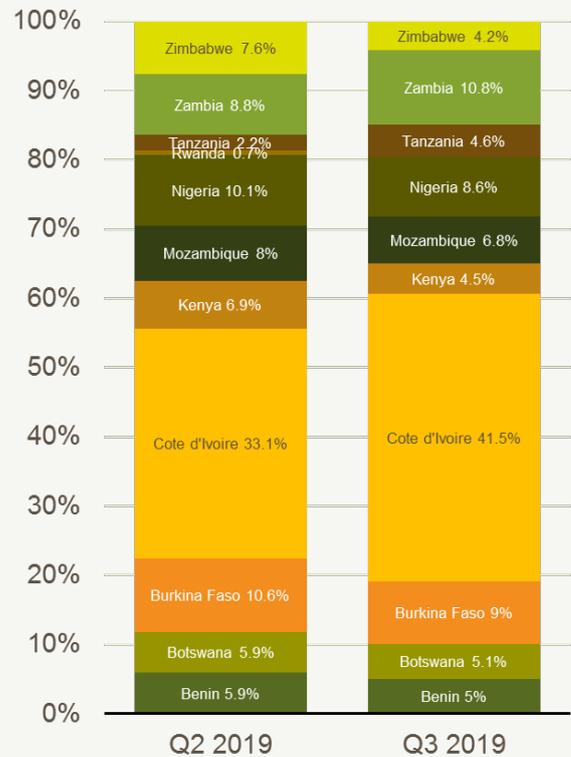


Regional Use of Funding (Data as of different dates)

Funding from AATIF is generally used by investees across the region of their activities. 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.



Data as of 30 September 2019

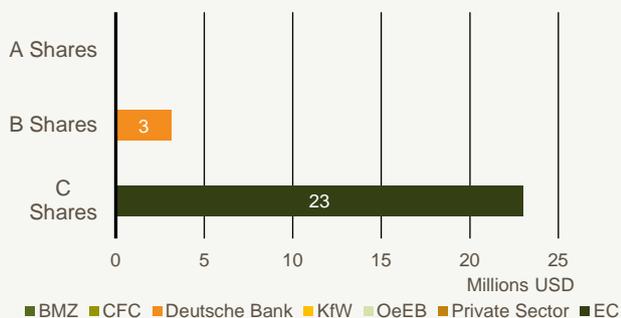


The "Use of Funding Allocation" applies the following methodology:

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.

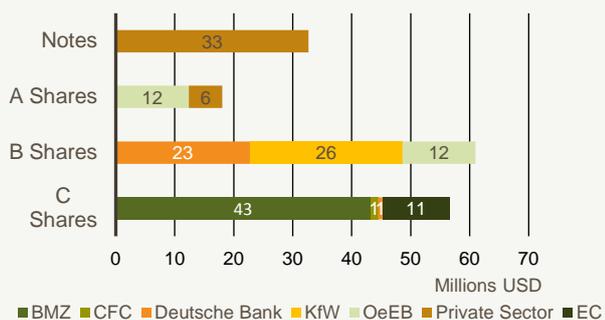
Investor Capital Structure as at 30/09/2019

Undrawn Commitments



Total amount of undrawn capital: USD 26.2m

Net Asset Value (NAV) of Outstanding Shares



NAV of the Fund includes cash and other value elements

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Initiator:



Implementation 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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