

AATIF INVESTOR REPORTING

Report for the quarter ending 30/06/2021



Activity Report Q2 2021

Quarterly Developments

Sub-Saharan Africa is in the grips of a third wave of COVID-19 infections (1). The speed of this third wave highlights the difficulty policymakers in sub-Saharan Africa face in heading off a crisis once it gets under way. Vaccination rates on the other side are low.

The WHO estimates that of the two billion doses which have been administered globally, less than 0.5% have been administered in low income countries (2).

On the back of this development we observe that supranational organisations are mobilizing significant amounts of funds to ease pressure.

The World Bank alone deployed USD 50bn to support African countries. Funding is provided for vaccine purchase as well as cash transfers for social safety programmes which have included supporting farmers to increase agricultural production, for example in Côte d'Ivoire, Chad and Kenya.

The IMF ramped up lending to sub-Saharan Africa to 13 times the annual average lent in the previous year. An unprecedented USD 650bn new Special Drawing Right (SDR) allocation will make USD 23bn available to member countries in sub-Saharan Africa once approved. In Kenya, for instance, the IMF will release USD 407m in new funding for the government, citing the nation's dedication to economic overhauls. Similarly, Zambia having received support under the G20 Debt Service Standstill Initiative, is

seeking more support in handling its debt obligations. The IMF has continued to engage with Zambian authorities in this regard, with discussions towards a new Extended Credit Facility ongoing. Meanwhile, from Q1 2021, and into Q2, the IMF completed multiple missions in SSA, with Côte d'Ivoire, Ghana and Nigeria among those visited as the fund aims to continue monitoring and supporting recovery initiatives during the pandemic.

It remains to be seen how much of the huge amount of funds that are flowing are being deployed to sustain productivity and competitiveness of local value chains. We also note that the pandemic might have its share but is only one element in the strong challenges local societies must cope with. For example, Nigeria reports a five times higher unemployment rate compared to 2010 caused by refugees and perpetual growth of the population. The social tensions caused by the lack of employment opportunities, especially for the youth, are immense (3).

Economic Development

In this report, we took a closer look at exports as part of the macro-economic developments impacting the target beneficiaries of AATIF and the local farmers. Exports of goods and services make up a significant share of GDP for African countries, with Zambia (34.6%), Ghana (36.0%) and Mozambique (41.0%) particularly reliant on commodity exports (4). In 2020, the volume of exports of goods and services contracted by -9 percent across

SSA. Mozambique (-23.8%) experienced the greatest negative percentage changes during this time, while Zambia (1.1%) maintained a positive trend in volume of exports for the year, mainly driven by the increase in metal prices. While the IMF projects for 2021 a bounce-back to 5.7 percent in volume of commodity exports for the region (5) as set out in Figure 2. This will, however, depend on how the pandemic will develop mainly in the off-taking markets. We expect high volatility at least for the foreseeable 1-2 years. The World Bank in its Blog on 'Africa Can End Poverty' noted that the mass production shutdowns and supply chain disruptions due to the rare "twin supply-demand shock" will create ripple effects across all global economic sectors, causing further uncertainty, from widespread geopolitical and economic instability (6). Further, it is posed that African countries may have the chance to use this crisis as an opportunity to build more resilient and sustainable economies if they can learn from the pandemic by further diversifying African economies and strengthening the few strategic sectors. The pandemic crisis highlights the importance of food and health sectors for all countries. We observe more businesses expanding up- and downstream. and respectively, there is a vast base of investment opportunities that keeps growing. Secondly, embracing the digital age and adopting more and more digital technologies for both productions and services, such as banking, retailing and learning, as

well as public services. The sectors with high levels of digitization seemed to weather the storm much better. In doing so, the education systems need to be strengthened, especially the training and learning related to digital skills. Thirdly, Africa must continue to strengthen intra-regional trade. The formation of the African Continental Free Trade Area is a good beginning, the effect of which cannot be

underestimated in terms of the basis for growing the economic activity on the continent. Lastly, climate change will continue to show its effects. The need for a “glocalised” food production in the context of food security is one consequence that, with all likelihood, will simply force higher agricultural production to happen onshore and will change the use of available land.

In conclusion, we note that the high share of exports for some countries reflects the need to generate foreign currency income and is a backbone for societies to remain being connected to global developments. For AATIF, offering liquidity into trade flows means contributing to connections that are essential for the local farming sector.

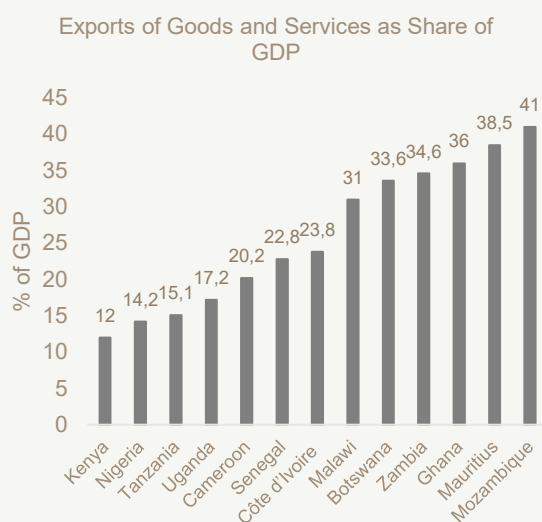


Figure 1

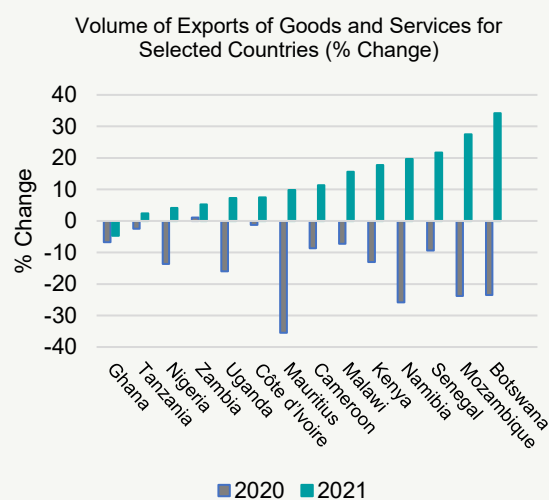


Figure 2

New Investment Activities & Disbursements

The Investment Committee approved two facilities for direct investments. In parallel, the Investment Advisor is preparing the documentation for two financial institutions.

The balance of transactions in the execution stage by end of Q2 2021 stood at USD 33m, while two transactions for financial institutions were in due diligence.

Existing Investment Portfolio

As part of AML's strategy to diversify its product base, African Milling Limited (AML) has embarked on setting up its own bakery. Despite delays caused by the pandemic, a small bakery pilot commenced operations in June

2021, with the product expected to be in the market by the first week of August. The goal of this new project is to vertically integrate the existing milling operations thereby partially isolating themselves from the volatilities of the market to ensure that their mills constantly run at full capacity.

Camel Flour continues to leverage the newly installed mill by introducing three new products for which they have received and set-up a new packaging machine:

- 1. Pure Patent Flour (PPF):** This is an A-grade flour from first streams C1 and C2, specialised for making multiple products. Classified as a premium flour and priced higher than home baking flour.

- 2. Brown Flour:** This is a specialised flour specifically used for making brown bread.
- 3. ATTA Mark One:** This is a specialised low gluten flour specialised for making brown chapatis (a type of unleavened flatbread of Indian origin popular in East African countries).

Camel Flour has also continued to engage with local communities as part of its strategy to increase wheat production in Tanzania. In the past quarter the company cultivated 1,000 acres of farmland in the Basutu ward (northern Tanzania) and used these fields as demonstration farms for surrounding farmers. Throughout the season nearby farmers received training on good agricultural practices on the

demonstration farms. The first harvests of the fields show a success with yields being four times higher than the usual average in that region.

Lastly Camel Flour has maintained a strong commitment to capacity building within its local team, conducting internal baking training under their master baker and chief miller, while also enhancing their quality assurance processes by introducing their mill operators to basic baking techniques to assess flour quality. The company is also looking to register some electrical and mechanical technicians for online courses with the International Association of Operative Millers (IAOM).

In June 2021, Two Six Zero Brands Africa (Seba Foods Zambia) crossed over into a new market base, beginning to export their products to the USA. The company – which is AATIF's newest investment – announced that their Textured Vegetable Protein Soy Strips and Crumbles by Golden Goodness were available for purchase on Amazon Prime.

260 Brands was also awarded the Most Collaborative Exporter in the inaugural Zambia Annual Exporter Awards in July – a ceremony that was co-hosted by the Southern African Trade and Investment Hub and the Zambia Association of Manufacturers, which recognized local manufacturers who are exporting to South Africa and the United States of America.

CKL Africa (CKL) remained resilient during a demanding final quarter of their financial year. In terms of manufacturing, the company surged ahead of plans with manufacturing levels at their plant in Kenya's Tatu City (CKL's newly established production site) reaching 80% utilisation – a level previously planned to be achieved

by 2023. In an effort to prevent any bottlenecks arising from increase production, the company is planning to set-up a second packaging line, with the new equipment being purchased in Italy. The new line will help prevent over-utilisation of existing equipment, acting as a potential backup to the existing line.

The company also invested further into their production plant in Loesho (CKL's existing production site) in order to modernize it and improve efficiency to meet increasing demand. Ultimately, the company met planned production levels for the quarter in their factories.

The company has also maintained a proactive stance towards mitigating the effects of the COVID-19 pandemic on their staff. A COVID-19 response team has continued to meet weekly to monitor the evolving nature of the pandemic and communicate the appropriate response to staff.

Mt Meru performed well from an operations perspective during the last quarter, registering their highest ever sales numbers in the months of May and July. The company leveraged on export contracts with the main off-take market being India. This was because India faced very low soybean production levels in the last season, and hence demand for imports surged. Further, Mt Meru benefited from the decision by the Zambian government to remove VAT on cooking oil products to help mitigate inflation, which boosted the company's local sales.

Fund Performance & Liquidity

During the quarter, the Fund successfully finalised negotiations with KfW as one of the anchor investors of AATIF to extend their position. The same consent to extend was provided by DWS as part of their co-investment next to

the investment advisory mandate. The extension takes away a liquidity outflow of USD 52m that are now available to be invested medium to long term.

On the portfolio quality, the Fund had to increase provisions for credit risks stemming from recession flags increasing the IFRS9-induced provision along the decision to also increase provisions on individually provisioned and impaired assets.

The profitability of the Fund continues to be under pressure from the high share of liquidity. While the liability profile of the Fund is sufficiently stable, the focus is to employ the available liquidity into new investments.

Social and Environmental Review

AATIF investees continued to make progress on managing social and environmental risks and impacts in their operations. One example comes from ETG, who is making significant progress with its "One Stop Solution Mobile App" for farmers, currently with 7,211 users in 7 countries. Farmers are benefitting from accurate weather forecasts, live chats with agronomists, notifications on pests, offers and a wallet to keep track of income and expenses, among other features.

In Q2 2021, countries where AATIF Partner Institutions operate experienced new waves of COVID-19 infections. As a result, AATIF reached out to investees to assess potential adverse effects on their staff. In general, while there were infections reported on some companies, these were limited and did not result in extremely severe cases. Investees reported continuing applying safety measures, including providing hand sanitizers, staggered shifts and teleworking arrangements.

Impact Measurement

As part of AATIF's impact measurement efforts, another

round of Rapid Appraisals was concluded in Q2 2021. Among those, it was found that African Milling Limited has increased its workforce from 212 full-time equivalent employees (FTE) in 2018 to 283 in 2020 thanks to the increased utilisation of the processing plant due to AATIF's facility. Mount Meru Millers increased its seed crushing capacity utilisation for oil production from 55% (2017) to 75% in 2020, leading to an increased traded volume of edible oils (soy, sunflower, cotton seed) of ~27,000 MT (10,400 MT in 2017). The new impact briefs will be available in the AATIF's website in Q3 2021.

The assessment of the AATIF impact measurement framework started in Q1 2021 has made significant progress. The selected consultant reviewed the Fund's relevant documentation and procedures for impact management and interviewed a wide range of stakeholders from the AATIF family. The next steps of the work include engagement with investee companies and drafting the final assessment report with results and recommendations for improvement.

Technical Assistance (TA) Update

During Q2 2021, the AATIF TA Facility successfully started preparations to launch three new projects later this year, one of which is a feasibility study of an agricultural radio station in Nigeria with AATIF investee Sterling Bank. In 2019, Sterling Bank piloted an innovative radio program to better communicate agriculture related information to farmers in rural areas. Due to the success of the pilot, Sterling Bank reached out to the AATIF TA Facility to evaluate the achievements of the radio station to assess the requirements for setting up a fully-fledged nationwide radio station. The

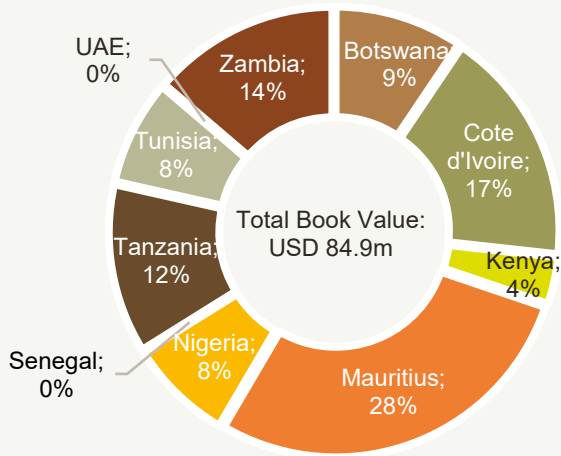
project is anticipated to start in Q3 2021.

Similarly, another new TA project is expected to launch with AATIF investee Seba Foods in Zambia, aiming to conduct an in-depth market analysis for the launch of a new soymilk product targeting bottom of the pyramid consumers. The TA Facility Manager is currently drafting a detailed Terms of Reference for the project and is expected to launch a tender to source an expert consultant in early-Q3 2021.

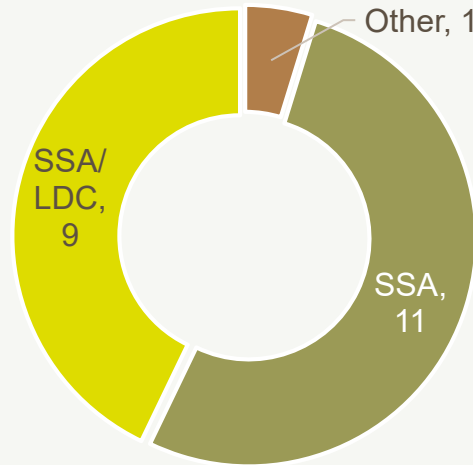
Furthermore, Q2 2021 saw the conclusion of a study financed by the AATIF TA Facility aimed at better understanding the (potential) impact of the ongoing COVID-19 pandemic on smallholder farmer income in selected value chains in Zambia, Kenya, and Côte d'Ivoire. The undertaking resulted in actionable recommendations for practical TA interventions to support smallholder farmers as part of a post-pandemic recovery.

Portfolio Overview as at 30/06/2021

Book value – Country & Rating Category



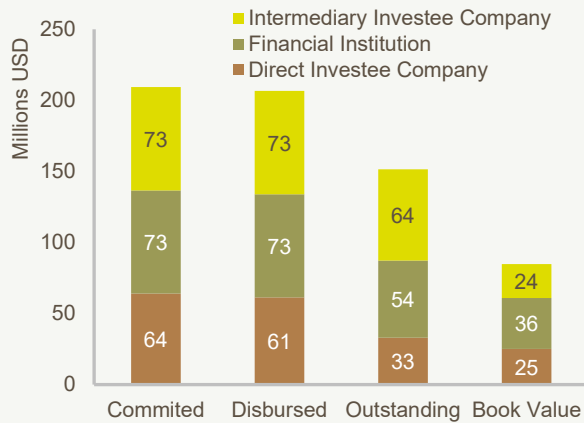
Transaction Geography (# of investees)



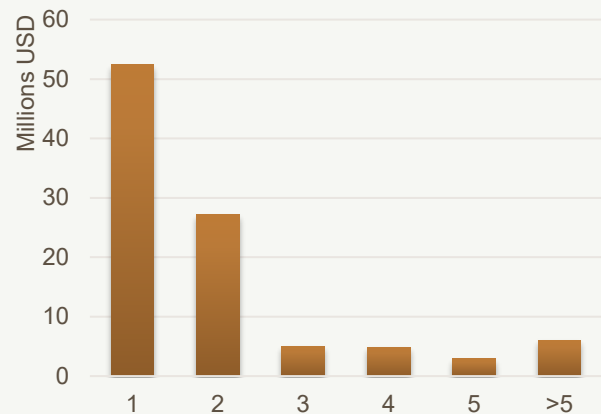
The country allocation of the investment is linked to the place where the legal residency of the investee/ the economic risk bearer is registered.

SSA: Sub-Sahara Africa
LDC: Least Developed Countries

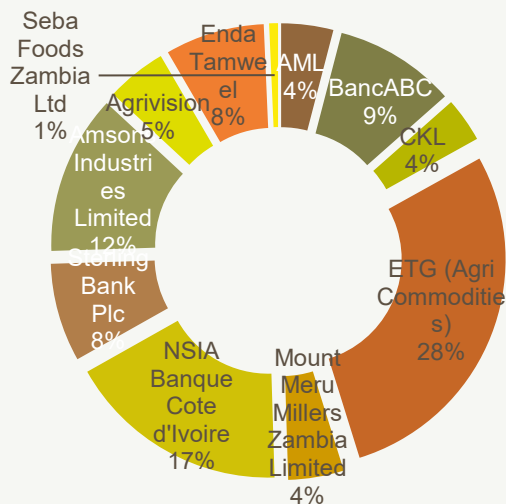
Type of Partner Institution



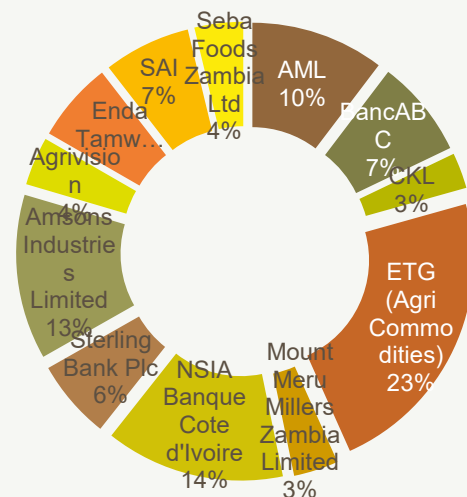
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



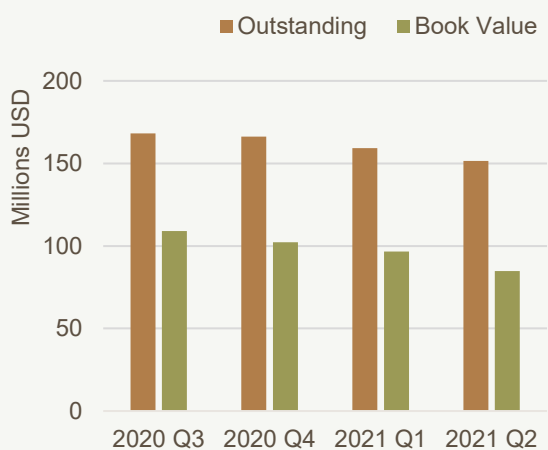
Partner Institution: Net Balance + Unused Commitment



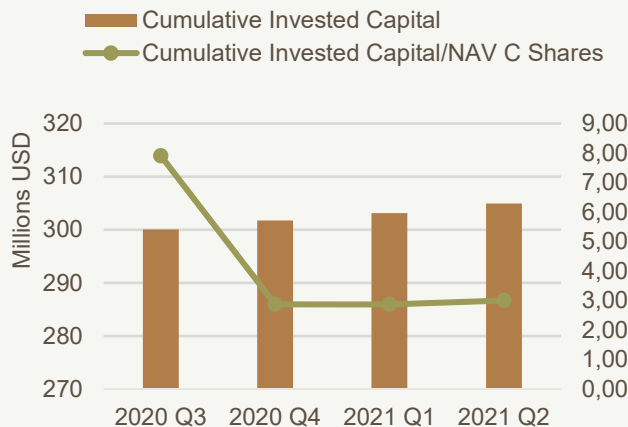
Provisioning Overview

Provisions on invested capital beginning Q2 2021	USD		62,616,720
Release of Provisions	USD	-	1,168,233
Increase of Provisions	USD	+	5,219,391
Write off	USD	-	0
Provisions on invested capital end of Q2 2021	USD	=	66,667,878
Net Movement during Q2 2021	USD	+	4,051,158

Investments Outstanding

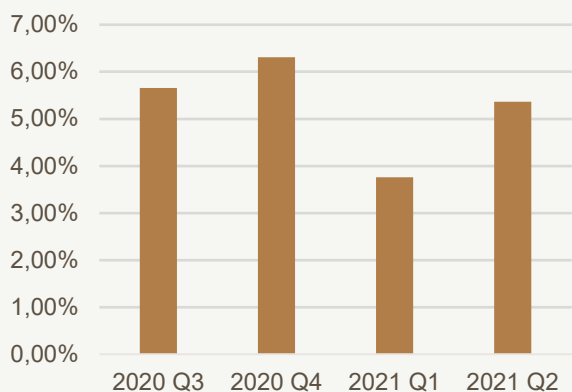


Cumulative Invested Capital vs NAV C Shares



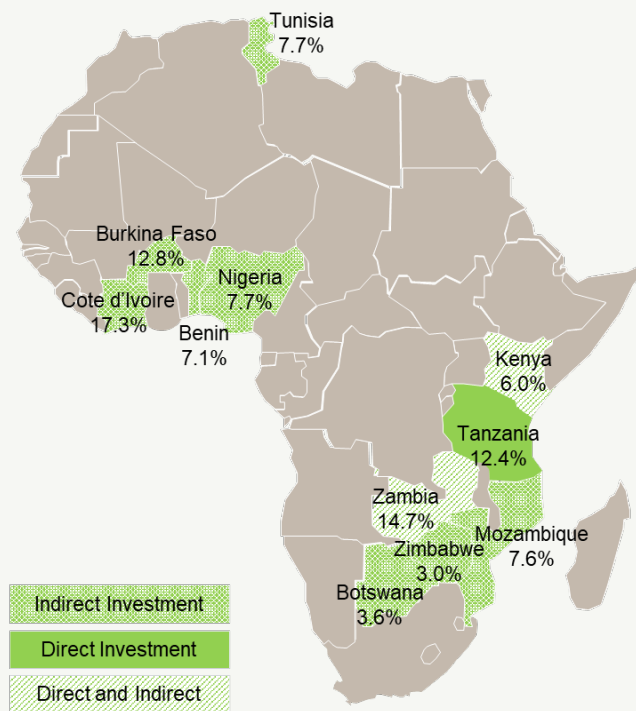
The ratio of cumulative invested Capital/NAV C-Shares decreased from 8x to 3x as AATIF raised additional C-Shares Q4 2020 for further growth of the Fund.

Gross Yield

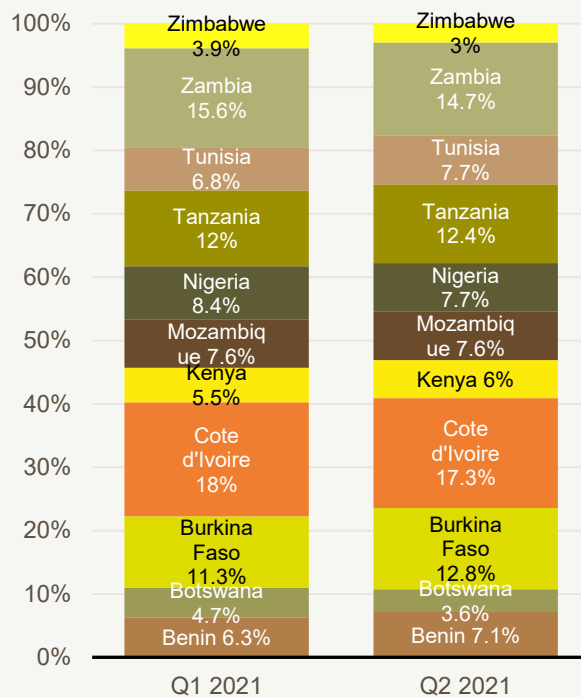


Regional Use of Funding (Data as of different dates)

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 IM to allocate the funding into the respective countries is explained below.



Data as of 30 June 2021

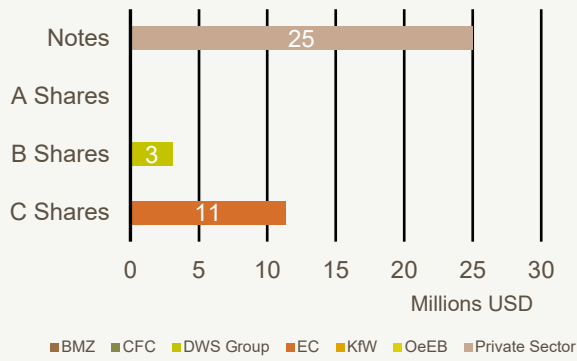


The "Use of Funding Allocation" applies the following methodology:

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.

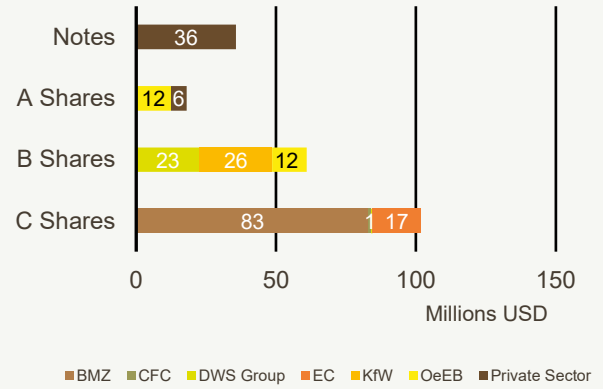
Investor Capital Structure as at 30/06/2021

Undrawn Commitments



Total amount of undrawn capital: USD 39m

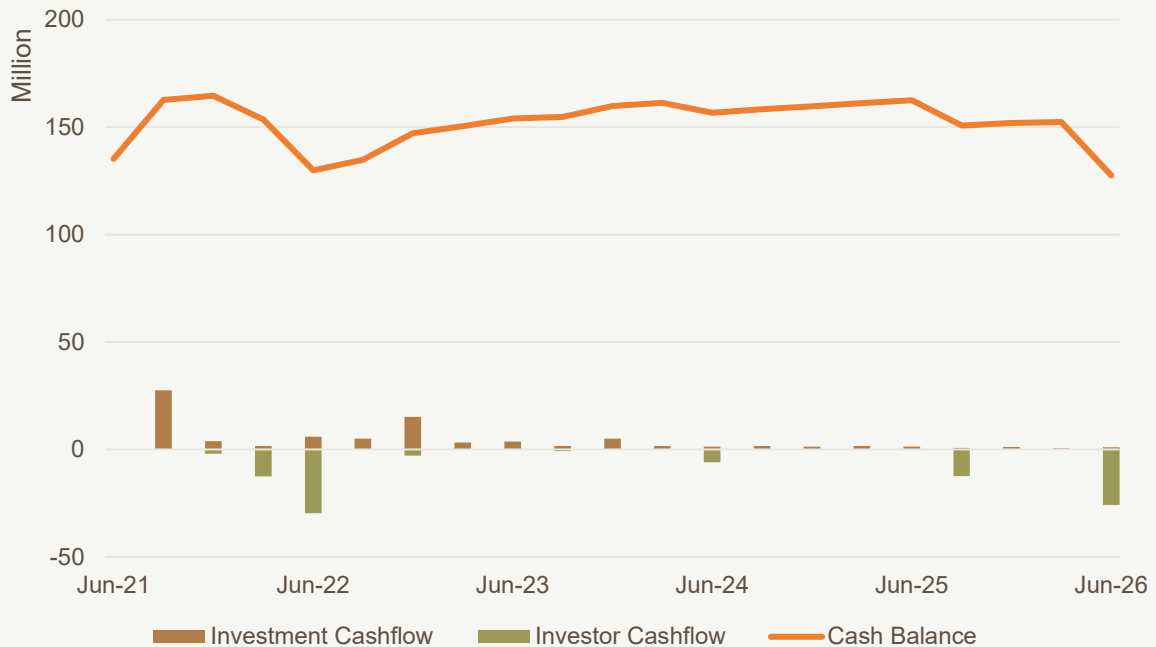
Net Asset Value (NAV) of Outstanding Shares



NAV of the Fund includes cash and other value elements

Asset-Liability Cash Flow Profile

Cash Flow Forecast as of 30/06/2021



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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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