

## Activity Report Q3 2021

### Quarterly Developments

Economic recovery in Africa continues to take shape, influenced principally by global vaccine availability, policy changes and commodity prices.

The IMF has recently revised its projections for global economic recovery, with emerging markets and developing economies – specifically sub-Saharan Africa – having their projections revised slightly upwards from 3.4 percent in July 2021 to 3.7 percent in October. This despite overall global projections for 2021 being revised down by 0.1 percent from previous estimates in the same timeframe (1). Per the World Bank (2), this surge has been attributed to commodity prices climbing higher than pre-pandemic levels, showcasing the dependency of the continent against export of commodities as a source of income. On the other side, Q3 2021 also saw relative increases in the Consumer Prices Indices for multiple countries in SSA. For instance, Kenya's year-on-year inflation rate stood at 6.91 percent in September 2021 (3), up from 6.57 percent in August of the same year.

Rising prices of food and non-alcoholic beverages are fundamental to the overall price increase. Our observations across the portfolio and markets combined with the macroeconomic indicators supports the assumption that economies are going through a supercycle. If and how the economic activity in the agricultural value chains will be affected is subject to speculation



while we note that existing market players with a strong market position benefit from the cyclicity.

### New Investment Activities & Disbursements

The Investment Committee approved one facility of EUR 25m for a financial institution in Western Africa. Meanwhile, another two due diligences on financial institutions are on-going.

The balance of transactions in the execution stage by end of Q3 2021 stood at USD 48m. Execution speed, however, is slow given the volatile demand for capital.

### Existing Investment Portfolio

General elections were held in Zambia on 12 August 2021 to elect the president which was won by the opposition lead Hakainde Hichilema. This was welcomed by AATIF's Zambia based investees as it is expected that the new president will push for a change in policy towards more business-friendly reforms over the coming quarters,

including efforts to tackle corruption and improve the country's relations with foreign investors.

Despite a relatively slow market in Zambia due to a surplus of harvested wheat, African Milling Limited (AML) has stepped up its engagement with local consumers. Through a local partnership with online store Tigmoo Eats, the company has been able to take its sales onto a digital platform, subsequently becoming more accessible in new areas where van sales and traditional retail outlets do not exist.



Advertisement for Tigmoo Eats featuring African Milling products. The ad includes the African Milling logo, a 25kg Breakfast Meal bag, and promotional text: "GET FREE DELIVERY African Milling is Now Available On Tigmoo Eats. Order Your Mealie Meal Today And Get FREE DELIVERY To Your Doorstep." It also includes social media icons, app download instructions, and contact information: +260 760 000 046 and www.tigmooeats.com.

Mount Meru posted positive results in Q3, benefitting from favourable policy changes from the Zambian government, thus posting their highest ever sales of cooking oil in September 2021. The growth is enabled by a strong farmer network providing the bulk of raw materials. In the past season the company estimates to have reached around 25,000 soya farmers and 20,000 cotton farmers. Lastly the company invested in a new packaging plant enabling it to offer smaller packages of edible oil (750ml).

Still in Zambia, Two Six Zero Brands Africa continued to show its commitment for local farmers, setting up a plan to certify 12,000 farmers within the next 3 years on organic production. The programmes include the National Organic Programme (NOP) and Ecocert Organic Standard (EOS) certifications. This sourcing base of local farmers will support the company in growing its export sales. As announced in Q2 the company started export sales to the US by listing its products - Textured Vegetable Protein Soy Strips and Crumbles by Golden Goodness. The company reported that sales have been going very well and it has managed to establish itself as a market leader in the textured vegetable protein category on the online retailer.



Away from Zambia, Camel Flour is seeking to build on from Q2 during which they successfully cultivated 1,000 acres of farmland in northern Tanzania for

use as demonstration farms for surrounding farmers. The company is actively in discussions with the government to cultivate 10,000 acres of land in the upcoming season to further boost their outreach to local farmers and capitalise on the previous quarter's increased yields.

In terms of new products, Camel Flour continues to diversify its high-quality product offering, having begun milling first grade pure patent flour that can be used in making confectionaries.

The company is also ramping up its distribution by purchasing 40 more trucks, cutting down on the distance covered by its current fleet, as well as setting up more depots.



In Kenya, CKL Africa faced a difficult quarter mainly due to macroeconomic changes which were outside of their control. Overall prices of raw inputs for farmers, especially feed, have risen in the last quarter and this has not been accompanied by an increase in their final products. Hence the buying power of farmers, CKL's clients, has diminished and resulted in a lower uptake of CKL products. CKL has made an effort to try and address this challenge by ramping up marketing activities and being present in the market. It makes use of its vast network of distributors and stockists, reaching 6800 stockists in the past quarter.

On top of this, the company took a key step in boosting its e-commerce activity by getting

officially validated on the African online retailer Jumia, further increasing accessibility of its products and communicating the importance of providing animals with quality feed to ensure stable production.

Further, on a product basis, the company has introduced new feed additives and lower cost alternatives which can enhance the low-quality feed many farmers have given in the last quarter. This to avoid a spiralling situation whereby low-quality feed given now results in low production and, further, reduced buying power next quarter.



Beyond these challenges CKL has remained consistent in digitalizing multiple processes, spurred on principally by the COVID-19 pandemic and its effects on operations. One of these is a new mobile app, used primarily to link farmers in the field with solutions and information based on their needs.

In West Africa, Sterling Bank Plc, in collaboration with i.a. AFEX Commodities Exchange Limited, GIZ AFC, Mastercard Foundation, held the fourth edition of the Agriculture Summit Africa, ASA2021 themed "Building the New Agro-Order". The event, which had participants from across the African continent, discussed topical issues around the

agricultural sector, from policies to investments and the African Continental Free Trade Agreement in enabling a vibrant Agric ecosystem in Nigeria. Events such as the ASA are important to continue building bridges and foster agricultural transformation and advancement in the continent and leapfrog Africa in its efforts to promote food security and competitiveness.

### Social and Environmental Review

In Q3 2021, AATIF investees reported progress in capacity building and S&E management, among others. As an example, CKL conducted occupational health and safety, fire marshal and first aid training with 52 employees.

On the Financial Institutions portfolio, NSIA Bank compiled a report with its progress on S&E management over the last year. With support from AATIF and other lenders in the development and implementation of a Social and Environmental Management System, the bank performed an S&E review of more than 200 credit applications, and organized 12 training sessions on S&E management. Priorities for the upcoming period will involve increasing the number of monitoring visits as well as providing additional capacity building to staff, with a focus on

Other investee companies brought longer-term improvement commitments to fruition. For example, Agrivision in Zambia successfully completed a tree-planting project which resulted in a total of 15,000 assorted tree seedlings planted in public spaces. Furthermore, the company successfully renewed its Global GAP certification in Q3 2021.

### Impact Measurement

As part of AATIF's new impact measurement approach, 10 impact snapshots were finalized and shared with the partner institutions. These summarised documents show the progress across 7 dimensions for DIC/IIC and 5 dimensions for FIs. The snapshots can be found as part of AATIF's Annual Report and will soon be available on AATIF's website.

### Technical Assistance (TA) Update

During Q3 2021, the AATIF TA Facility successfully closed three projects, one of which is the assessment and design of a wheat outgrower scheme in Tanzania with AATIF investee Amsons Group / Camel Flour. In parallel, the AATIF TA Facility Committee approved a new TA measure to conduct an on-site assessment of soil testing on farmland of Amsons' already existing wheat outgrowers, as well as seed trials

on Camel Flour's own seed multiplication farm. It is anticipated that this newly approved TA measure will enable the TA Facility Manager to provide support for wheat farmers on targeted fertilizer utilization and – in medium term – allow for the introduction of adapted high yielding wheat varieties to Amsons' outgrowers.

Q3 2021 also saw the approval of an additional three TA measures. One project with the potential AATIF investee Vantage Organic Foods in Nigeria will support the company to assess and design – and later to implement – an efficient outgrower scheme using a zero-cost farming approach to support smallholder suppliers as an initial step to increasing sourcing of organic oil seeds.

A new TA project will also be launched with the AATIF investee Sterling Bank in Nigeria, aiming to produce a portfolio assessment report of the bank's investments by using the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. The recommendations from the evaluation will provide knowledge for Sterling Bank to anticipate the vulnerability that climate change poses on its loan portfolio and pave the way in the transition towards a low-carbon economy.

Additionally, NSIA Banque in Cote d'Ivoire will receive TA support in training and coaching of the bank's S&E Coordinator and other relevant staff on the topic of S&E risk management with a sector-specific approach for the bank's agricultural loans.



different agricultural value chains. for newly imported wheat varieties

## Quarterly Special: Digitalization for Farmers and Food Producers

### Snapshots from AATIF's Partner Institutions

Food demand in Africa is rising, with the food and beverage markets being projected to reach USD 1 trillion by 2030. While existing technologies like improved seeds and fertilizers will be critical to meeting this demand, Africa's farmers will need additional new tools to improve yields and get their goods to market. At the same time, mobile phone penetration and the availability of information technology adapted to the available infrastructure is growing. The two trends have common ground, as they are centered on good farming practice, a function of experience and information that is available to the farmer – long term and short term.

Another pattern where digital transformation is working to the benefit of rural populations is the continued digitalization of banking services, a trend we can observe throughout the investment portfolio. In 2020, Banque NSIA, an AATIF investee and leader of bancassurance in West Africa, and Orange, a major telecoms provider in Africa, launched Orange Bank Africa in Côte d'Ivoire. Orange Bank offers clients a range of simple savings and credit services available at all times via mobile phone (4). Providing an alternative to conventional banking, these digital services are targeted to be accessible to the broadest population – especially the rural population, which mostly is active along the agri-cultural value chain, enhancing financial inclusion by allowing customers to borrow as little as 5,000 CFA francs instantly, using their mobile phones.

In the same year, AATIF investee and Tunisian MFI Enda Tamweel (Enda), and Temenos, a banking software company, went live with Temenos Transact – a cloud-native service seen as the next generation core banking product. The service provides Enda with the agility to service more customers at a lower cost, and to quickly launch new products and services, as well as the ability to process large volumes of transactions efficiently (5).

#### Smart Agriculture through mobile technologies (“m-services”)

Digitalization outside the financial sector received a strong push while travel restrictions were imposed. Mobile-services (m-services) have a significantly broader outreach compared to the starting point of financial service providers. M-services tend to be developed to support and improve existing businesses – or are built around the availability of technology from scratch frequently developing an unserved market from scratch. The



common basis is that services are designed to deliver electronic media content through mobile technologies which includes m-agri, m-commerce, m-banking or m-payments. M-services come in varied forms, while developers found different solutions to reduce the barrier to access their services. Such barriers are frequently the low and unreliable bandwidth as well as the target to use tools outside expensive smartphones.

From experience with our investment companies, the USSD protocol in the form of 'Quick Codes' has turned to be a suitable technology with low barriers to access support via m-services. M-services can be used to connect buyers to sellers, disseminate general information about farming and livestock (such as market information on prices), and send alerts on pest and disease threats.

Research undertaken in Kenya showed that increased access to climate, crop disease, and market information via m-services can improve farmers' production and profitability in Kenya. Similarly, a study on Tanzania maize farmers showed that farmers using mobile applications to optimize their crop report an increase of agricultural profits (67% of respondents) and decrease the costs (50%) and time investments (47%) of farming.

A report by McKinsey & Company identifies more than 400 digital agriculture solutions in use, with applications spanning financial services, market linkages, advisory services and more (6). Mobile apps like GeoFarmer are especially popular in rural areas, enabling the exchange of information between farmers and agricultural experts where internet connectivity is still unreliable. DigiFarm – powered by Safaricom – is yet another digital service for farmers which has expanded to Tanzania, Nigeria, Pakistan, India and Myanmar, offering farmers access to lower-priced farm inputs, loans, learning content on farming, as well as access to markets (7).

An example from AATIF's portfolio is ETG that, for instance, is responding to the need of keeping the farmers connected during the pandemic, via its upgraded mobile app, "ETG One Stop Solution". The app has about 1,300 users including farmers and agro-dealers in 8 countries: Tanzania, Malawi, Mozambique, Kenya, Zambia, Rwanda, Uganda and Ghana. The upgrades included the addition of a "live chat" function to allow farmers talk to agronomists on issues concerning their crops and notifications on pests or offers, among others. The company expects to expand the outreach of the app, add new features (e. g. EHS issues in crop production, correct use of products) and include new countries in the next years.

Although digitalization of agricultural solutions has proven a key driver in enabling the growth of the sector, contributing significantly to regional economic growth through positively impacting individual livelihoods of smallholder farmers, such initiatives sometimes face challenges for their sustainability. Some of the m-Agri services in Africa lack trust about the content by the target users, the one-size-fits-all approach by the service initiators does not work for everyone, or not enough attention is paid to ensure the necessary infrastructures before embarking on the development.

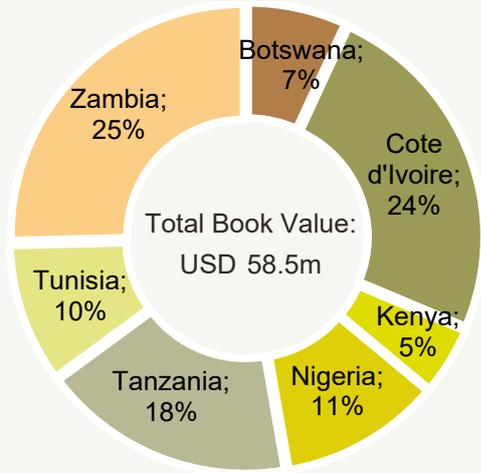
Digital agri will remain a field where new strategies will need to be tested to better address the needs of the smallholders. Existing m-Agri services are trying to overcome some of the challenges, which include reasonable service charges, offline messages using USSD, providing alternatives for grid electricity-powered mobile phone chargers, as well as co-opting intermediaries between the providers and users to help improve users' skills.

400  
identified m-  
service  
solutions for  
agribusinesses

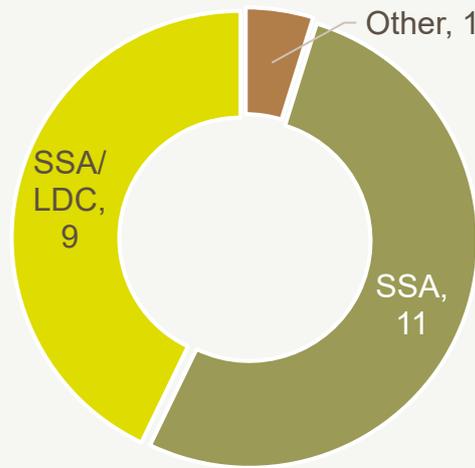
1,3000  
ETG's One  
Stop Solutions  
m-service users

Portfolio Overview as at 30/09/2021

Book value – Country & Rating Category



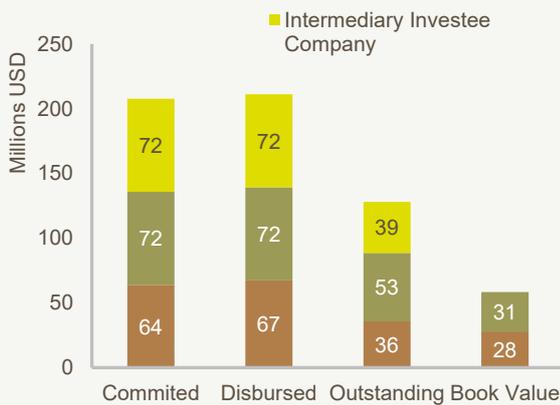
Transaction Geography (# of investees)



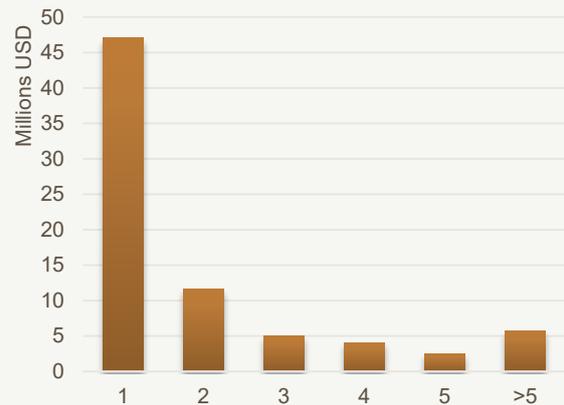
The country allocation of the investment is linked to the place where the legal residency of the investee/ the economic risk bearer is registered.

SSA: Sub-Sahara Africa  
LDC: Least Developed Countries

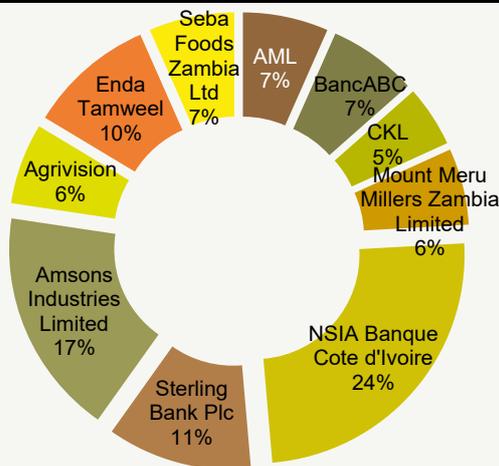
Type of Partner Institution



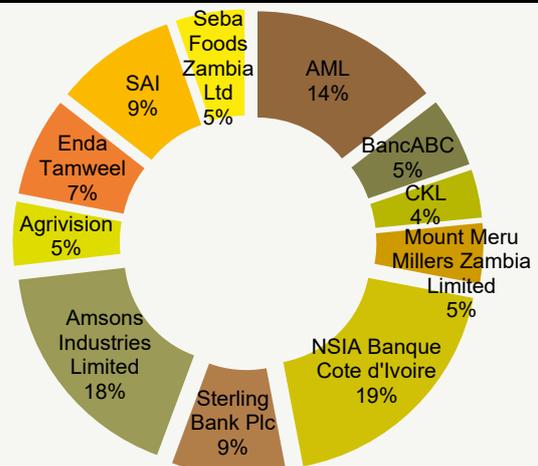
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



Partner Institution: Net Balance + Unused Commitment



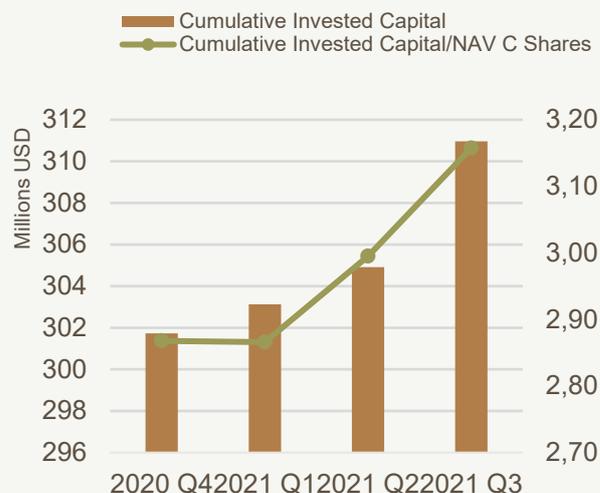
### Provisioning Overview

Provisions on invested capital beginning Q3 2021	USD		66,667,878
Release of Provisions	USD	-	1,070,544
Increase of Provisions	USD	+	4,053,703
Write off	USD	-	0
Provisions on invested capital end of Q3 2021	USD	=	69,651,037
Net Movement during Q3 2021	USD	+	2,983,159

### Investments Outstanding

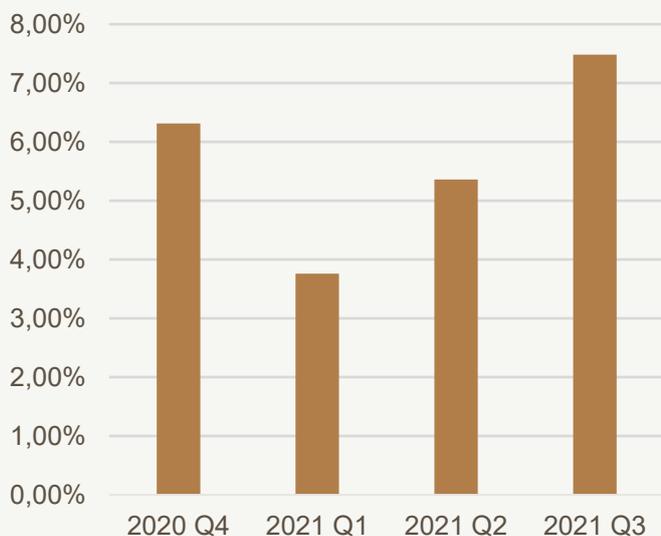


### Cumulative Invested Capital vs NAV C Shares



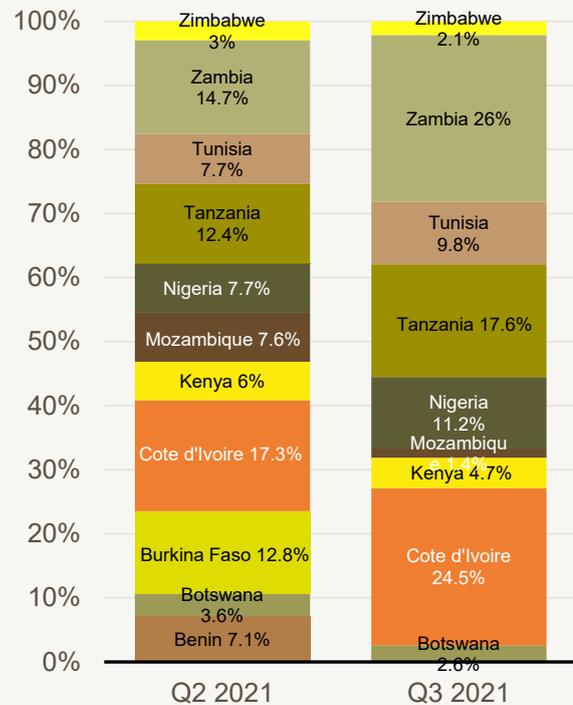
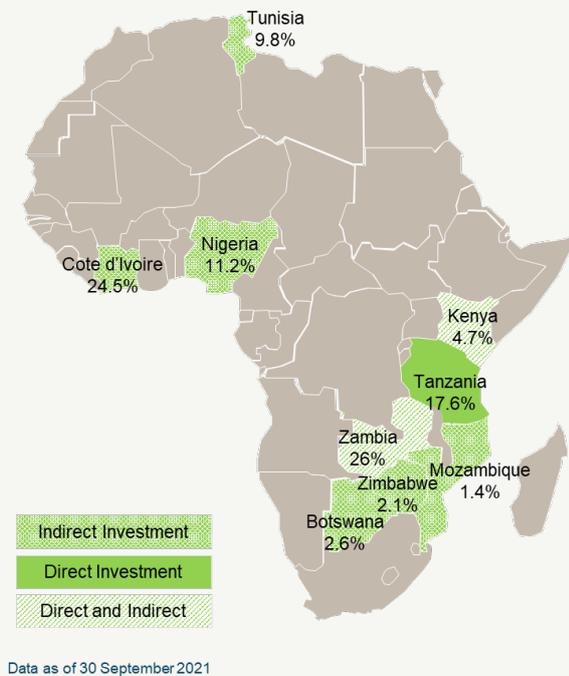
The ratio of cumulative invested Capital/NAV C-Shares decreased from 8x to 3x as AATIF raised additional C-Shares Q4 2020 for further growth of the Fund.

### 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.

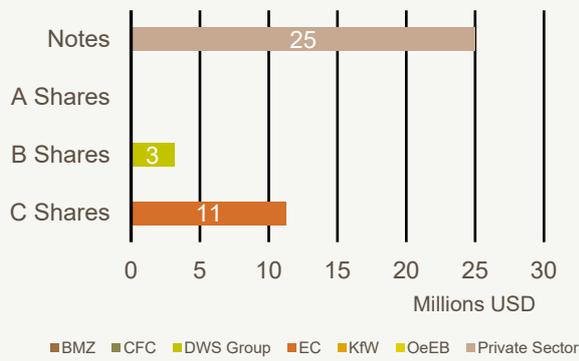


The "Use of Funding Allocation" applies the following methodology:

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.

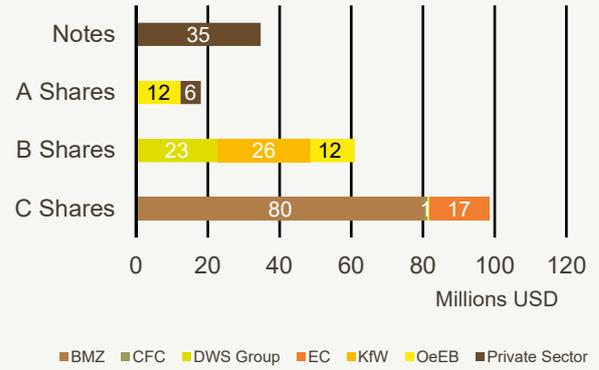
## Investor Capital Structure as at 30/09/2021

### Undrawn Commitments



Total amount of undrawn capital: USD 39m

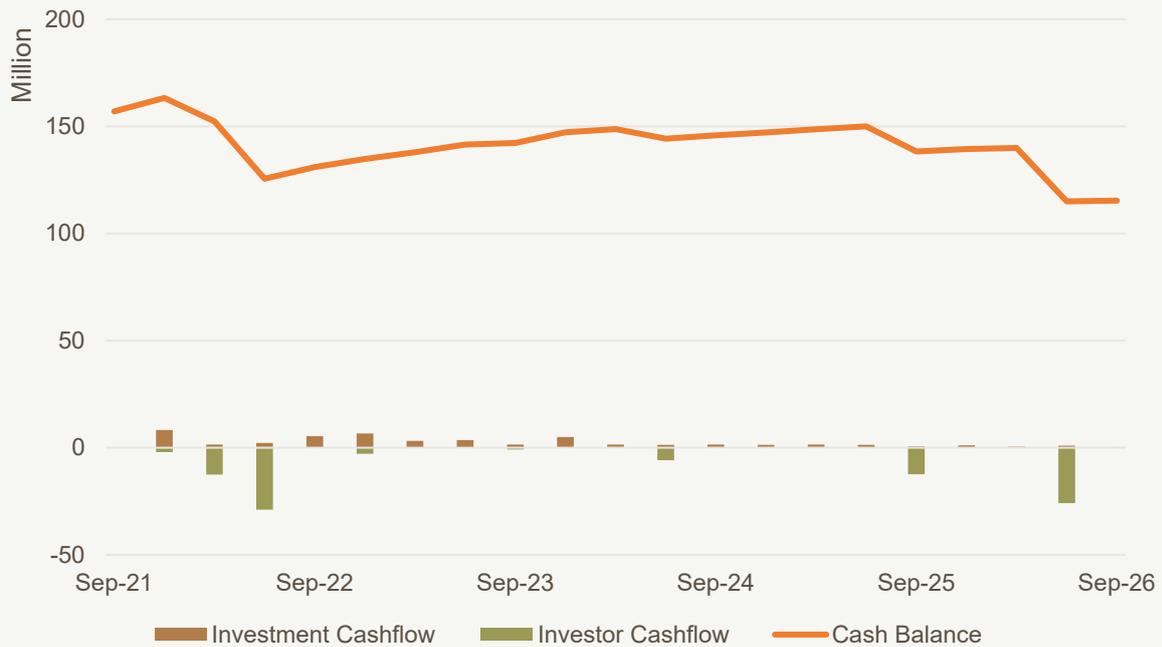
### Net Asset Value (NAV) of Outstanding Shares



NAV of the Fund includes cash and other value elements

## Asset-Liability Cash Flow Profile

### Cash Flow Forecast as of 30/09/2021



## Contact persons

### Fund

Africa Agriculture and Trade Investment Fund SICAV-SIF, S.A.  
31 Z.A. Bourmicht,  
L- 8070 Bertrange

### Investment Advisor

Gabriele Krause-Zens  
Alternatives Investor Relations,  
Germany | Alternatives Coverage Specialists

DWS International GmbH  
Mainzer Landstraße 11-17  
60329 Frankfurt am Main  
Germany

Tel. +49 69 910-40777  
E-Mail: [mailto:gabriele.krause-zens@dws.com](mailto:mailto:gabriele.krause-zens@dws.com)

### Custodian, Paying Agent, Account Bank

Citibank Europe plc, Luxembourg Branch  
Cindy Fuchs / Emilie Jacot  
Client and Investor Services Team,  
Transfer Agency, Luxembourg Fund Administration 31,  
Z.A Bourmicht, L-8070 Bertrange, Luxembourg

Phone +352 45 14 14 207 or 316 (TA main line)  
Fax +352 45 14 14 332  
Email [cindy.fuchs@citi.com](mailto:cindy.fuchs@citi.com)

### Complaints

[complaints@aatif.lu](mailto:complaints@aatif.lu)

## 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.

## Imprint

Africa Agriculture and Trade  
Investment Fund  
31 Z.A. Bourmicht  
L-8070 Bertrange  
Grand Duchy of Luxembourg  
[www.aatif.lu](http://www.aatif.lu)  
[info@aatif.lu](mailto:info@aatif.lu)