

# AATIF INVESTOR REPORTING

## Report for the quarter ending 30/09/2022



## Activity Report Q3 2022

### Quarterly Developments

In Q3, interest rates have kept rising, with the US Fed and the European Central Bank increasing their rates quite heavily. We expect that the cooling down of economies will have its effect in the coming six months, though we will need to watch inflation rates closely. Although consumer prices in the US slowed to 7.7 percent in October (against projections of 8 percent) (3), the Fed is maintaining the need to raise interest rates until inflation cools even further. The biggest problem with the rising rates in the US and Europe is the ignorance of some African central banks on the need to raise local interest rates coherently. The lack of coordination and isolated action by the US and European central banks increases the gap between African borrowers and international lenders for what is regarded by both parties to be adequately priced funding. What African businesses need in terms of price is already very little compared to what, for example, European investors are willing to accept, citing the increased costs of capital in their respective home territory.

Stock markets are diving and are very volatile, which is no surprise – and the big question now is: if rates have found their adequate level to sufficiently slow the inflation, but not too much to stop economic activity.

For AATIF, we believe that US dollar demand from African banks will continue to be high, as national reserves are depleted in paying off dollar-denominated debt and local

central bank pricing of the dollar rises with international levels.

In Nigeria for instance, the shortage of US dollar supply led to the development of an unofficial exchange rate on the parallel FX market, leading to the currency losing over 36 percent of its value against the dollar from January to November this year (5). Subsequently, the real FX rate has stood at around 60 percent higher than the official rate (around N900-1000 to the dollar) – a typical symptom which the country goes through every now and then. For AATIF, though, we expect that the funding that AATIF can provide to these financial institutions will help meet the need for dollar funding at a time when it is in high demand.

### New Investment Activities & Disbursements

In July AATIF disbursed the second tranche under the Ecowas Bank facility. In September AATIF further closed a new investment with Union Bank Nigeria (UBN) to which AATIF granted a tier 2 facility in an amount of USD 25mln.

The Investment Advisor is working on the closing another 3 financial institution transactions with an aggregate volume of USD 50m to support the financial sector in reducing the agri-sector finance gap across the continent. A gap, which we noted above, is expected to widen.

The balance of transactions in the execution stage by end of Q3 2022 stood at USD 60mln, up from USD 33mln in the previous quarter even

though two transactions were already closed.

### Existing Investment Portfolio

Our conversations with our Partner Institutions this quarter took place against the backdrop of the ongoing drought across the African continent, whose effects have been widespread, yet diverse per region.

With rains being particularly scant in Eastern Africa, both livestock and crops have been affected in many regions. **CKL Africa**, whose client base is primarily found in Eastern and Central Kenya, report that the poor rains have hamstrung farmers' production levels, subsequently hindering their ability to purchase feeds and plant supplements from the company.

Still, the company remains optimistic that the rainy season from October to the end of the year will offer a level of reprieve, even though forecasts show anticipated rainfall levels are lower than ideal. The company is also optimistic that the newly elected Kenyan government's keen focus on agricultural production will benefit them moving forward.

In Tanzania, the ongoing availability of wheat is still a major issue for many of the country's millers. However, Amsons could report the anticipated improvements in comparison to the previous quarter. The company has even been able to source wheat from a local partner, which is a major step towards promoting the country's local wheat production. Amsons could

source 15 percent of its wheat locally, while supplementing the deficit with imports from international markets. The company reported a utilisation rate of 60 – 70 percent for their mill, with the introduction of a new bakers' flour product improving the capacity utilisation.

**African Milling Limited** reported that the ongoing maize campaign is functioning well, with the Food Reserve Agency (FRA) distributing adequate quantity of maize, and inputs also being delivered to farmers on time. On the wheat side, AML reports an uptick in production from farmers, with the company procuring about 100 tonnes of wheat a day.

In contrast to previous years, the market in Zambia has also remained liquid, with sufficiently well-functioning access to hard currency. However, export sales of the company's mealie meal slowed down due to the kwacha having gained in value compared to the USD.

AML's bakery is also anticipating an increase in production, having procured a new bun moulding machine. With the increased capacity to make different varieties of their baked goods, sales are expected to continue increasing. This has prompted the company to diversify their distribution base. Having originally sold through major outlets like Shoprite, AML have opened their own smaller outlets in high density areas in Zambia – which reduces also fuel consumption as outlets replace van sales.

Still in Zambia, **Seba Foods** report increased local sales to meet national demand compared to the same period a year before. Maize has, however, been largely exported to Eastern Africa (particularly Kenya), due to high demand for the purpose of

supporting food security and food supply.

Seba Foods also launched Nutramilk - the country's first plant-based milk product - into the Zambian market in Q3, with marketing activities ongoing to educate consumers. The company has also participated in trade shows in the US as they continue export to their products there.

### Fund Performance & Liquidity

The profitability of the Fund is improving moderately. It is benefitting from a ramping up of the portfolio and the increased base rate environment. With still significant liquidity available, the focus remains to concentrate on closing and disbursing into new investments.

### 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. AATIF and other development finance orientated lenders support the development and implementation of a Social and Environmental Management System. In this context 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 different agricultural value chains. The AATIF TA Facility financially supports the development.

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 2022.

### 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

In Q3 2022, the AATIF TA Facility completed one TA project with AATIF investee NSIA Banque. The project aimed to further develop the capacity of the bank's staff at various levels in the organisation on social and environmental (S&E) risk management and assessment to support the overall implementation of a Social and Environmental Management System (SEMS). As a result, relevant staff have the capabilities to undertake successful and comprehensive S&E risk analyses and propose risk mitigation measures with a sector-specific approach for clients in the bank's agricultural loan portfolio.

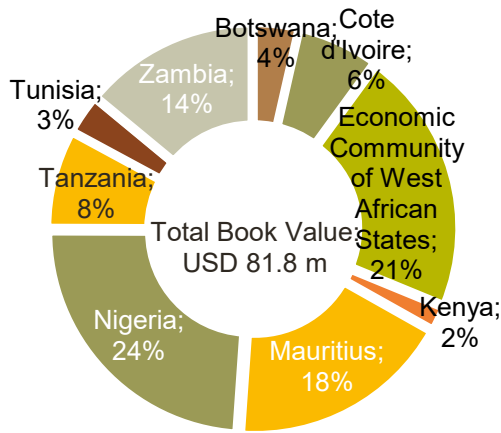
In addition, six new TA projects were approved in Q3 2022, one of which is a feasibility study for the introduction of locally sourced plant-based consumer food products as dairy substitutes in Zambia with an existing AATIF investee. The company has recently launched the first locally sourced and produced line of soymilk products in Zambia and seeks to leverage its experience to diversify the product range. To

understand if there is scope for producing other dairy alternatives (i.e., almond or rice), the company reached out to the TA Facility for support to undertake a feasibility study to assess the viability of local sourcing from smallholders. The TA Facility Manager has launched a tender to identify an expert consultant and the project is expected to launch in Q4 2022.

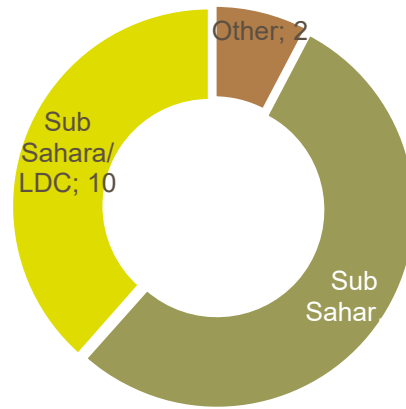
An exciting TA project to launch in Q3 2022 is support for the development and roll-out of an onion outgrower scheme in Senegal with AATIF investee Société Africaine d'Ingrédients (SAF Ingrédients). The company is currently in the process of establishing an onion processing plant in Senegal and has reached out to the AATIF TA Facility for support with ensuring consistent local supply of onions, predominantly from smallholder farmers and cooperatives. As part of phase one of this TA project, SAF Ingrédients is currently tendering for the new position of Outgrower Manager, who will be supported by an Expert Agric Team for the coming years in developing an appropriate set-up with smallholder farmers supplying onions to the company, and with establishing a nucleus onion farm on the company premises.

Portfolio Overview as at 30/09/2022

Book value – Country & Rating Category



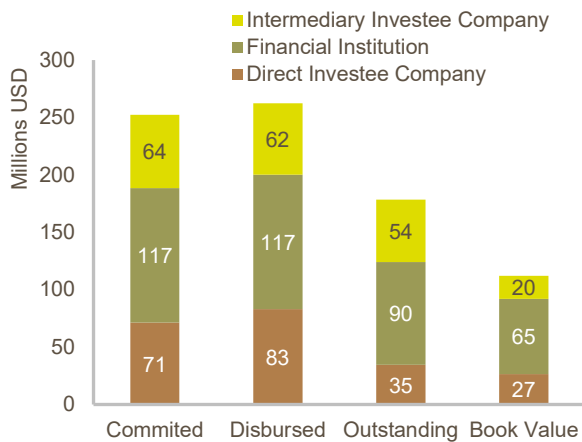
Transaction Geography (# of investees)



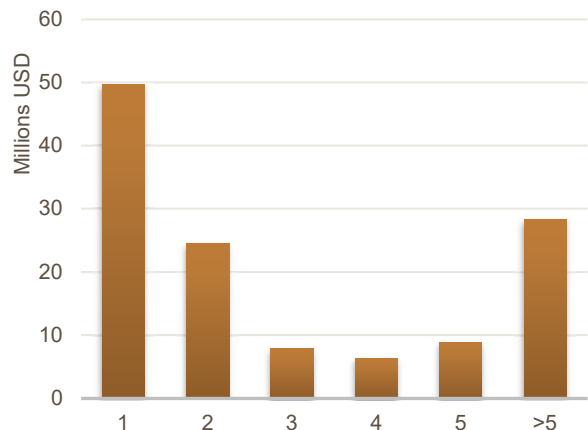
The country allocation of the investment is linked to the place where the legal residency of the investee/ the economic risk bearer is registered.

SSA: Sub-Sahara Africa  
LDC: Least Developed Countries

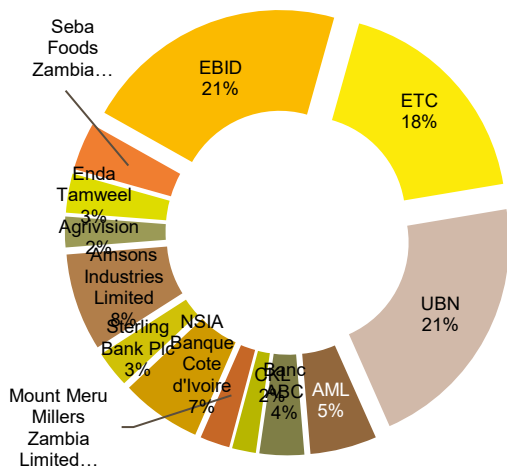
Type of Partner Institution



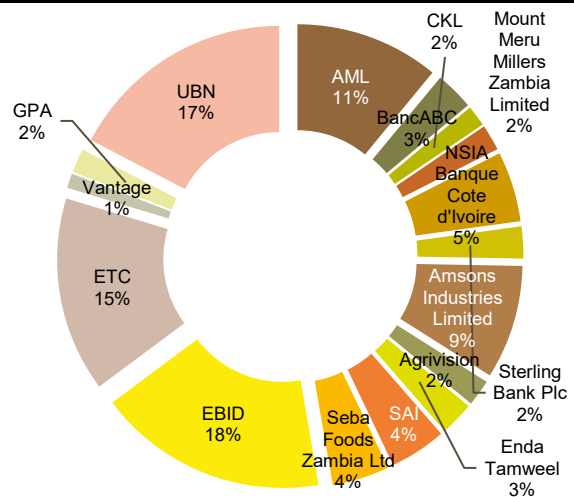
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



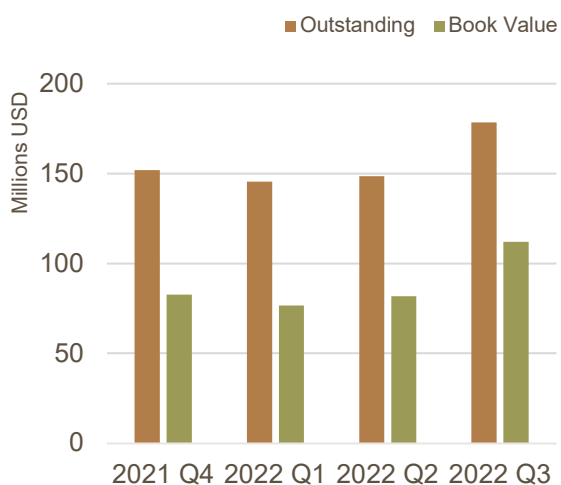
Partner Institution: Net Balance + Unused Commitment



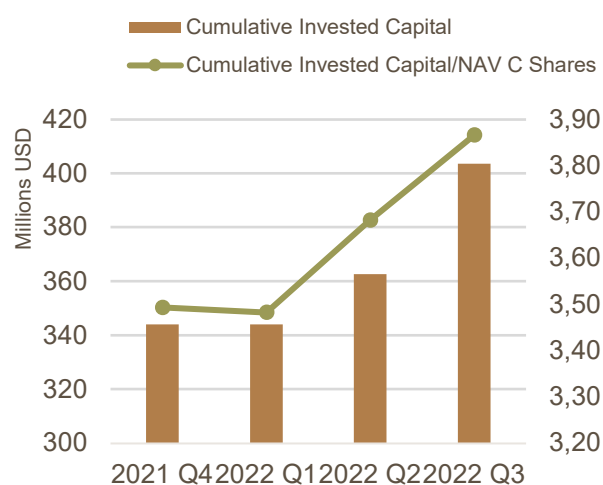
### Provisioning Overview

Provisions on invested capital beginning Q3 2022	USD		66,773,582
Release of Provisions	USD	-	2,059,675
Increase of Provisions	USD	+	1,722,045
Write off	USD	-	0
Provisions on invested capital end of Q3 2022	USD	=	66,435,952
Net Movement during Q3 2022	USD	-	337,630

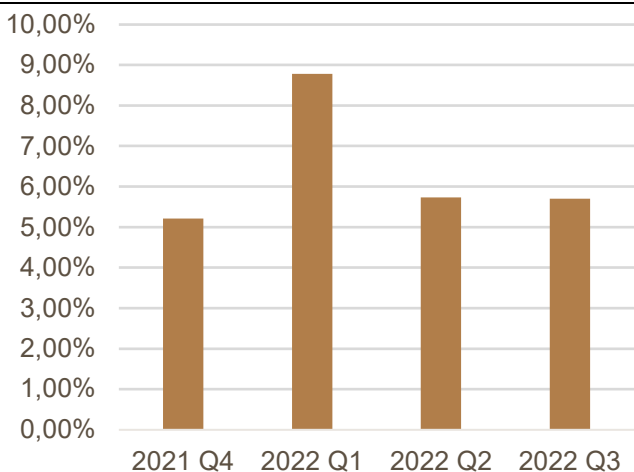
### Investments Outstanding



### Cumulative Invested Capital vs NAV C Shares

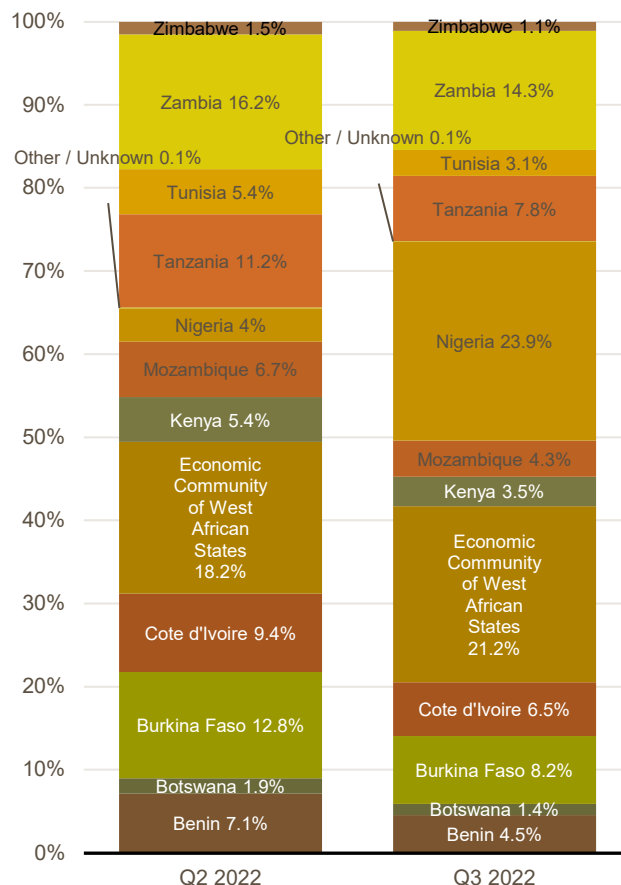
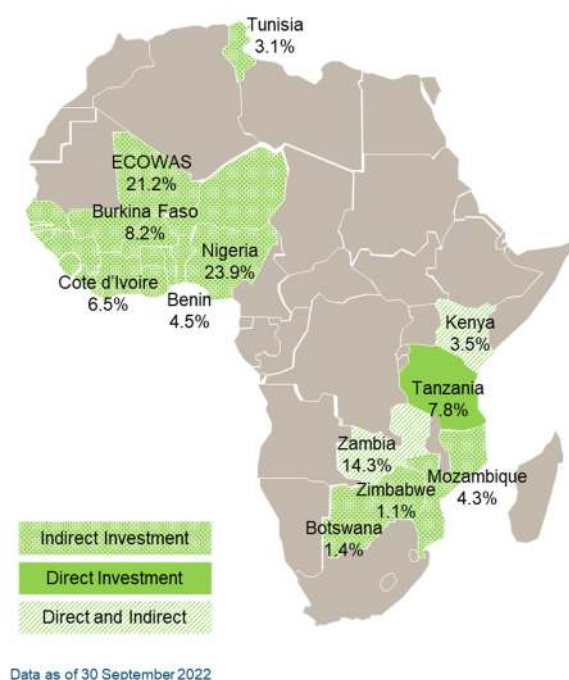


### Gross Yield



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

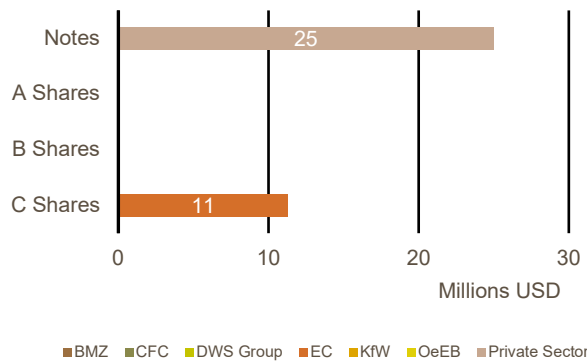


The "Use of Funding Allocation" applies the following methodology:

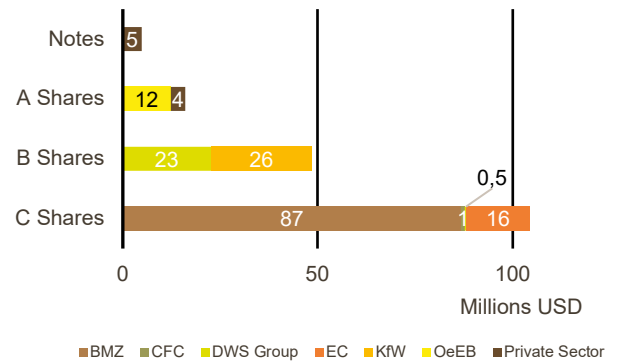
1. The net loan balance (after redemptions, provisions or write downs) is being used;
2. For direct investment companies (DICs), the country allocation is determined by the purpose of the loan;
3. For intermediary investment companies (IICs) and financial institutions (FIs), the country allocation is 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 30/09/2022

### Undrawn Commitments



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

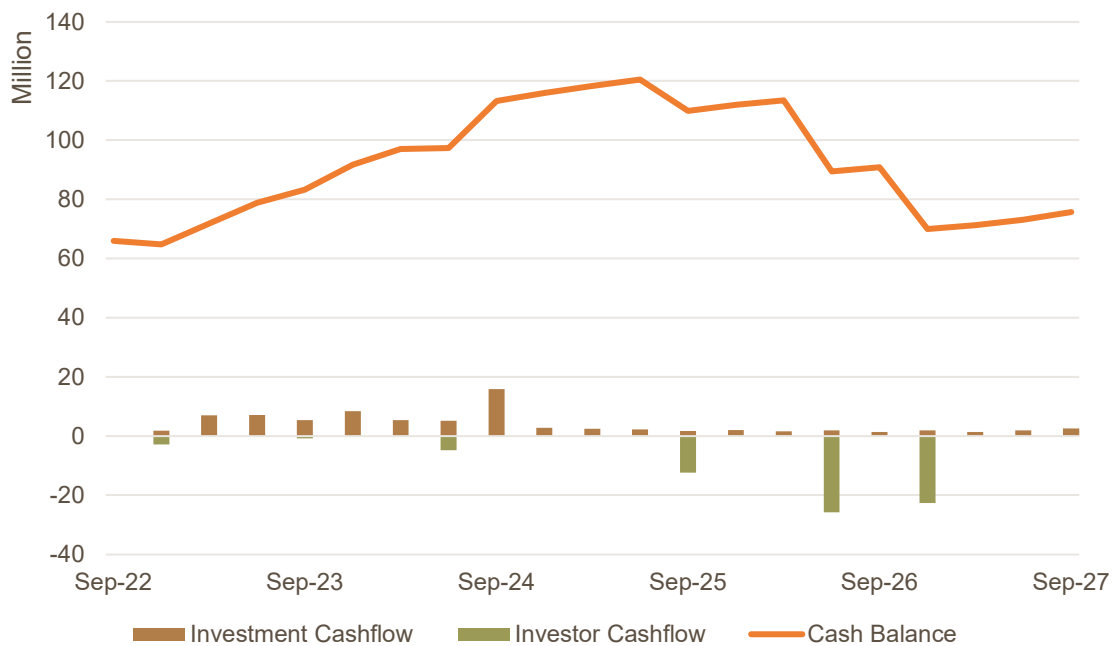


Total amount of undrawn capital: USD 36m

NAV of the Fund includes cash and other value elements

## Asset-Liability Cash Flow Profile

### Cash Flow Forecast as of 30/09/2022



## Contact persons

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### Complaints

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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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