QUARTERLY REPORT Q4 2018

Foreword from the Board of Directors

Africa's young population is projected to reach 2.5 billion by 2050 and the pace of growth is clearly leading the expansion of the global population[1]. Africa must continue growing its food production and processing capacities in the context of diminishing natural and scarce public financial resources. Simultaneously investors remain keen on allocating capital to African businesses. According to the latest survey of the African Private Equity and Venture Capital Association, 53% of investors, anticipate increasing their capital allocation into businesses that operate in Africa.[2] AATIF provides the additional medium to long term oriented debt capital with a focus on companies expanding their business activities while contributing to the 2030 Agenda for Sustainable Development. The International Labour Organization published an insightful report on this topic titled "Innovative finance – putting your money do (decent) work".

Developments of the Fund

AATIF harmonised its S&E standards with the Performance Standards of the International Finance Corporation. The review and update of AATIF's S&E Safeguards concluded in a new S&E Policy. Adopting the IFC's Performance Standards aligns AATIF's approach with that of many other financing providers active in the region and the sector.

Investors into AATIF approved respective changes of the issue document of AATIF in the course of Q4 2018.

New Investment Activities

In Q4 2018, the Investment Manager finalised three new investments in Cote d'Ivoire, Nigeria and Zambia respectively with the expectation to disburse these investments in Q1 2019. To finance the new investments AATIF has drawn additional capital from its existing investor base along having received the first C-Share capital tranche from the European Commission.

In addition to the investments that are already in execution, the Investment Committee gave approval to move one more transaction into execution which increases the USD balance of new investments to USD 52.1m.

Investment Portfolio

During Q4, performing investments have shown a stable performance. Valuations have not changed materially aside from IFRS 9 driven and quantitatively derived provisions.

By end of December 2018 AATIF extended a USD20m senior loan facility to BancABC Holdings which replaced the funding and risk participation financing which matured by end of 2018. The new facility will support BancABC to support its engagement in the agricultural sector in East Africa with special attention being given to Zimbabwe. See further details below.

Impact Measurement

An important milestone in the lifetime of AATIF was the publication of what AATIF calls "Impact Briefs" – highly condensed summaries that include all relevant facts from rapid appraisals that were commissioned on three investments AATIF either directly or indirectly financed. The documents reveal general patterns of challenges, such as delays in fertilizer delivery. On the other side the summaries describe the benefits of private sector initiatives purchasing agricultural goods from smallholder farmers (Tanganda Tea Company), commercial farms producing food inputs to secure food security (Agrivision) or private companies securing the timely availability of inputs to cocoa farmers thus boosting their household income (Wienco (Ghana) Ltd.). Appraisers will continue gathering data from the activities of these companies measuring the change these investments made for AATIF's target beneficiaries – which you can also find in the Impact Measurement & Evaluation Framework description.

Newsletter

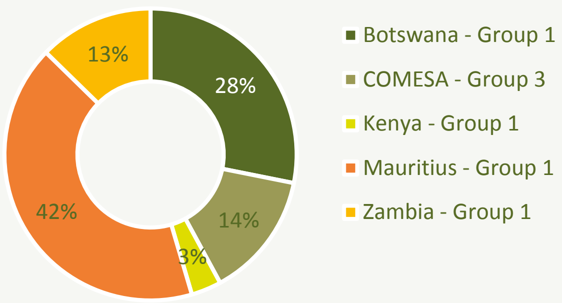
Finally, we would like to mention the newsletter which AATIF plans to issue irregularly and which we invite you to subscribe to.

[1] Source: UN Department of Economic and Social Affairs

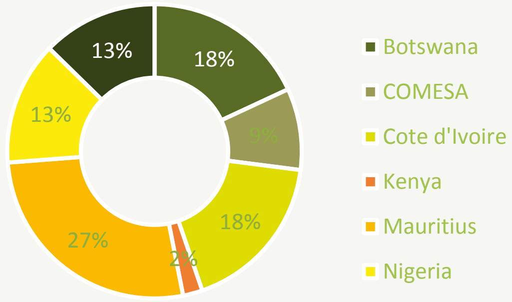
[2] Source: African Private Equity and Venture Capital Association

Portfolio Overview as at 31/12/2018

Country & Rating Category: Net Balance



Country: Net Balance + Open Commitments

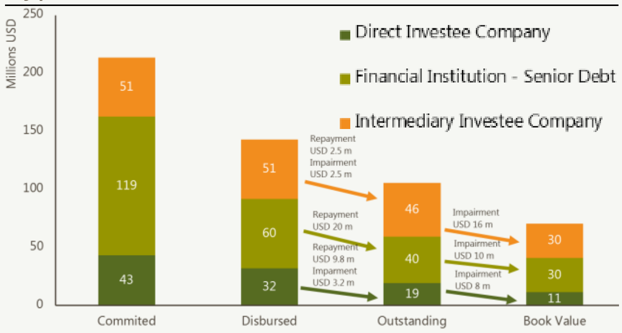


Group 1 and 2 allocation is performed based on a review of the country risks across the continent on a regular basis.
Group 3 applies to Supranationals.

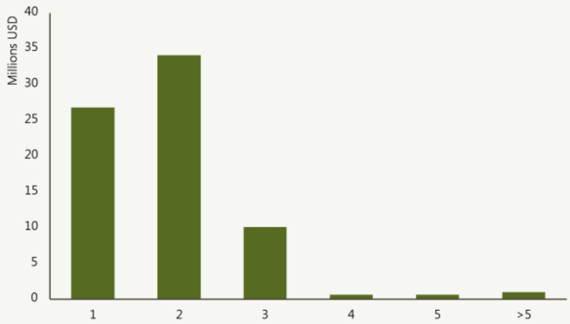
LDC: Least Developed Countries

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

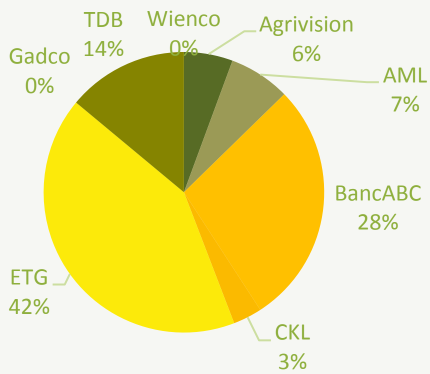
Type of Partner Institution*



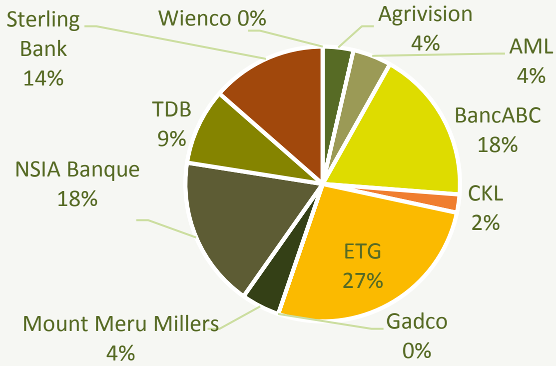
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure

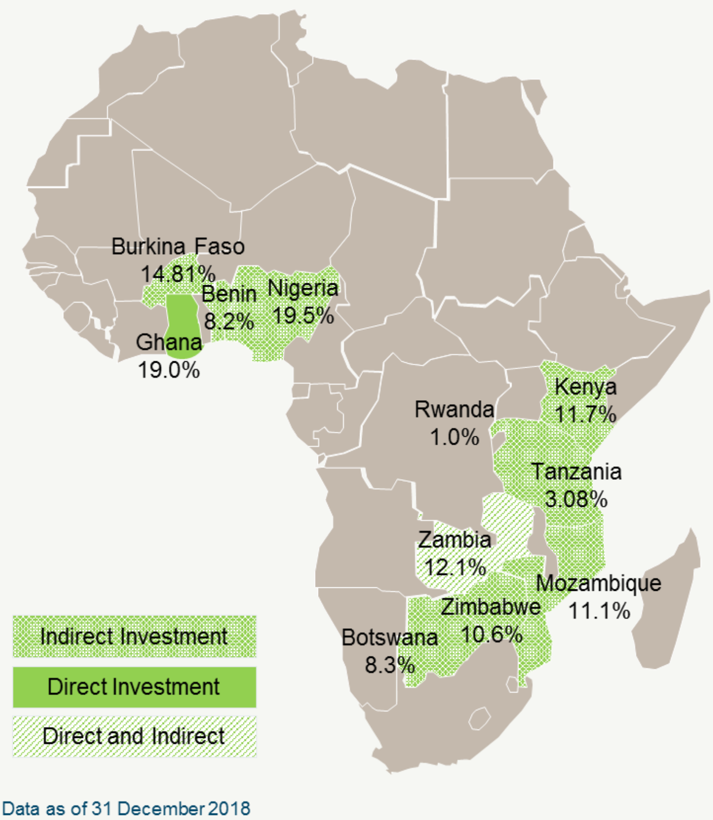


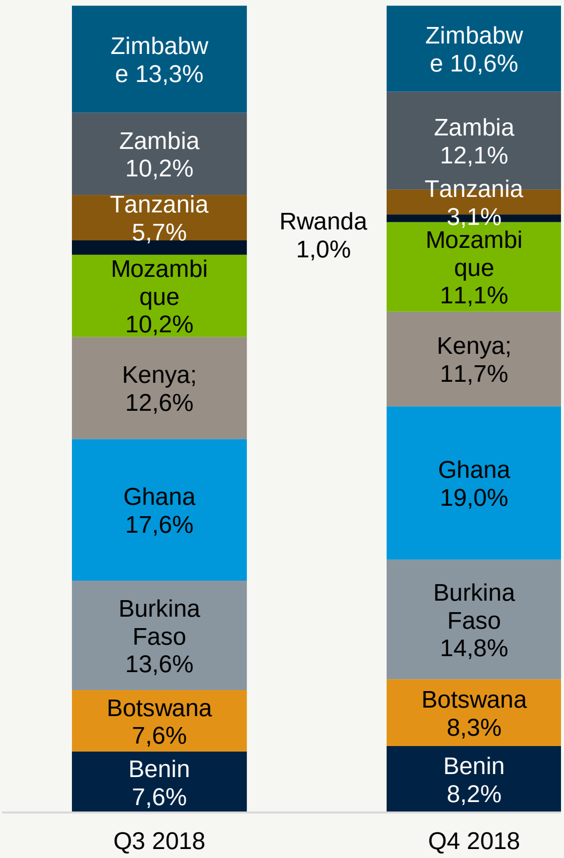
Partner Institution: Net Balance + Unused Commitment



Regional Use of Funding (Data as of different dates)

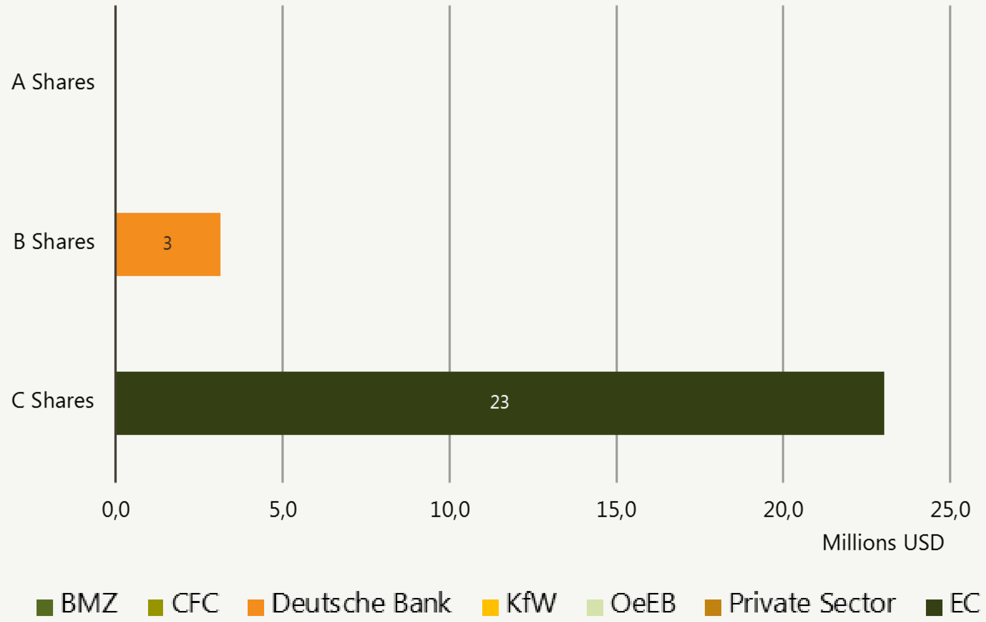
Funding from AATIF is generally used by investees across the region of their activities. ETG as a trading company, for example, reports the use of funding from AATIF in accordance with its trading activities which constantly change. While loan documentation limits the regional use of funds to the African continent, the single country allocation changes over time.



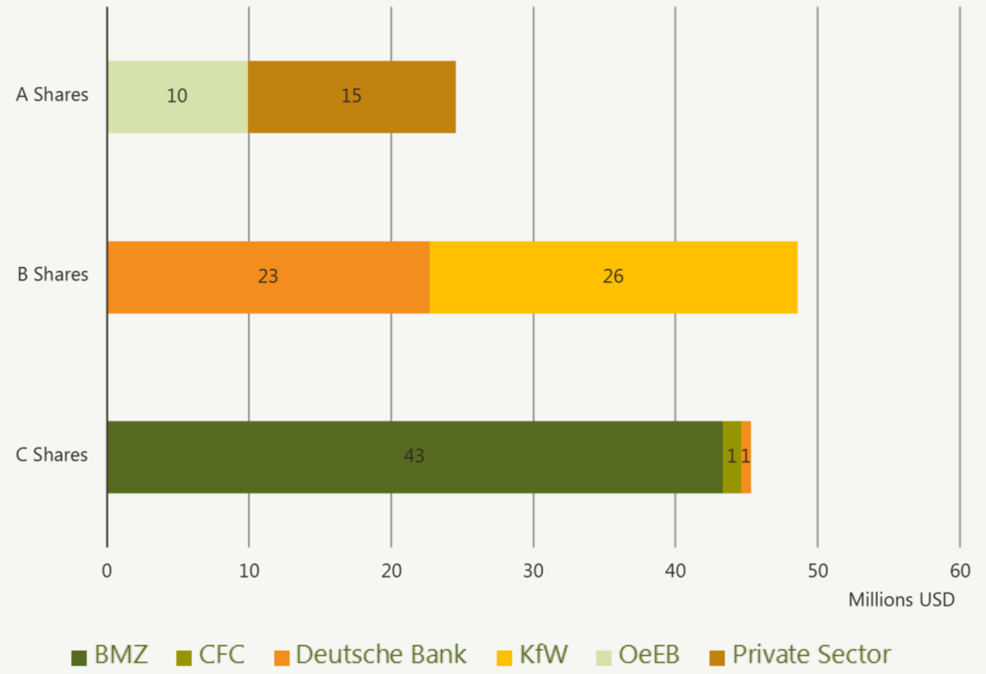


Investor Capital Structure as at 31/12/2018

Undrawn Commitments



Net Asset Value (NAV) of Outstanding Shares



Detailed Investment Overview

Agrivision Company

Country (use of funds):	Zambia
Type of investment:	Wheat, maize and soy farm
Use of Proceeds:	Irrigation equipment, land and ancillary equipment
Financial close:	October 2011
Tenor:	5 years + extended by additional 5 years
Type of Investment:	CAPEX Financing
S&E Category	B

Project Description

In October 2011, AATIF made an investment of USD 10m into the Zambian maize, wheat and soya bean farming operation - Chobe Agrivision. AATIF's investment supports the operations of Chobe Agrivision Mkushi farms by increasing its operational capacities thus enabling it to contribute to regional food security. Key indicators that are being worked towards are:

- Increase in agricultural production and productivity levels
- Generation of additional employment opportunities
- Improvement in living and working conditions

Also note the impact brief.

Recent Developments

Project Update: Agrivision repaid the second tranche of USD 1.4m under the extended facility according to schedule. For the upcoming summer season, the soy and maize crop has been fully planted and tests have been started on sugar beans, sorghum and paprika. While Mkushi farm has 2,308ha of soy, 155 ha of commercial maize, 13.5ha of seed maize, 18 ha of sugar beans, 55 ha of sorghum and 15 ha of paprika, the Somawhe farm is growing 3,900 ha of soy and 200 ha of maize. Both farms so far received normal rains, with the rainy season having started early December.

Social & Environmental Oversight: Following up on the Compliance Advisor's visit in September 2018, AATIF received the signed minutes of the meeting with the Mkushi District Commissioner. Furthermore, the Compliance Advisor discussed with other lenders the current status of the Katuba school, which was rehabilitated and expanded with support from AATIF and Norfund. Recently, the school has been upgraded by the government to a secondary school and as a result, is operating far above its originally foreseen capacity.

In Somawhe, the process of finalizing a sub-lease agreement with one of the communities living close to the farm's dam is still ongoing. The Compliance Advisor met with three village headmen from these communities, who confirmed that there is a good relationship between them and the company.

Technical Assistance: As part of a tender package of rapid appraisals to be undertaken on AATIF investments, the TA Facility Manager contracted the consultancy company Research Support Services (RSS) Group, to undertake an Ex-post Rapid Appraisal of the Agrivision investment towards the end of the extended loan term in 2021.

Global Agri-Development Company (Ghana) Ltd. ("GADCO")

Country:	Ghana
Type of investment:	Rice farm and mill
Use of Proceeds	Land, rice mill, tractors and equipment
Financial close:	June 2012
Tenor:	6 years
Type of Investment:	CAPEX Financing
S&E Category	B

Project Description

In June 2012, AATIF provided a loan to GADCO, a Ghanaian rice producer. AATIF financed a rice mill as a first step for GADCO to develop an integrated value chain. GADCO however faced severe operational issues and was completely restructured in 2014/2015. Together with other co-lenders, AATIF accepted debt restructuring reducing the indebtedness of the company and allowing it a new start with a new management team. The farm consists of a nucleus which is surrounded by land used by smallholders to grow rice. Traditionally, rice production within Ghana suffered from the stigma of being considered low quality. Hence rice for retail use is imported. Since the take-over by the new management, GADCO developed its several brands under which rice from the nucleus farm and the community farmers is being sold in the local market. The benefit of the local mill being equipped with up-to-date equipment allowed the company to achieve off-take agreements subject to international quality standards. The local smallholder farmers have taken advantage of such agreement, to the benefit of all.

Rice Mill

Copa Connect Farmers

Recent Developments

Project Update: GADCO reported that about 296 ha were planted on the nucleus farm in Q3 2018, and 769.2 MT of gross paddy were obtained after harvesting 224 ha. In addition, the final products obtained from the milling process (from paddy sourced from GADCO's nucleus farm and Copa farmers) amounted to 288.95 MT of rice and 126.91 MT of by-products (husk, bran and sortex). Fievie Connect Program and Copa Connect Smallholder Program have also planted approximately 77.5 ha and 448.9 ha respectively during Q3 2018. These programs involve a total of 539 farmers, of which 170 were females.

Social & Environmental Oversight: In Q4 2018, GADCO reported the results of the major season according to which a total of 478 farmers (148 women) participated in the Copa Connect scheme. Furthermore, and in line with its environmental commitment, the company recovered 166 metric tons of rice husk as combustible for the mill and stocked 3,280 empty fertilizer bags for reuse in the farm. In September 2018, 50 mahogany trees were planted in the project area.

Technical Assistance: The TA Facility continues to subsidise the salary of the Farm Workshop Manager. Data collection for the standard ex-post rapid appraisal impact assessment through a local expert consultant took place in November 2018. A Final Report is expected to be available towards the end of Q1 2019.

Wienco (Ghana) Ltd.

Country:	Ghana
Type of investment:	Intermediary input supplier
Financial close:	October 2013
Tenor:	3 years + extensions until 2019
Type of Investment:	Balance Sheet
S&E Category	B

Project Description

In October 2013, AATIF disbursed a senior, secured loan to Wienco (Ghana) Ltd. (“WGL”), a Ghanaian agribusiness intermediary company. Wienco provides fertilizer and agro-chemicals as well as training in input application methods and business skills to smallholder farmers via three smallholder associations. These include the Cocoa Abrabopa scheme, the Masara N’Arziki maize smallholders’ association and Wienco’s own smallholder cotton growing scheme. AATIF’s financial commitment allows Wienco to significantly expand the scope of its smallholder operations.

Recent Developments

Project Update: The 2017/2018 cocoa season in Ghana ended with a total cocoa production of 880,000 tonnes surpassing its goal of 850,000 tonnes. For 2019 it has increased the target production volume to 900,000 tonnes, similar to other cocoa producing countries such as Ivory Coast, Nigeria and Ecuador who have also increased production volumes for the coming season. The increase in cocoa production is contributing to an oversupply on the world market, which could lead to a significant cocoa price drop. To partially protect itself against such price fluctuations Ghana continues to realize an increase in local cocoa processing. To date Ghana has the capacity to process 300,000 tonnes per annum, less than 50% of its production. Together with the Ivory Coast, Ghana has embarked on a strategy to increase local processing to 50%. An initial loan of USD 600m from the African Development Bank will partially be used for this purpose and Ghana is hoping to secure an additional loan from China. Investments such as these would likely also be beneficial to smallholder farmers under the Wienco cocoa scheme and other smallholders in the market.

Social & Environmental Oversight: No material news.

Technical Assistance: As part of the extended in-depth Impact Evaluation of this AATIF investment, data collection for the cocoa outgrower scheme mid-term evaluation has been completed by end 2018. A first draft of the findings will be available in Q1 2019.

Trade & Development Bank ("TDB", formerly known as PTA Bank)

Country:	Supranational
Type of investment:	financial institution
Financial close:	September 2012
Tenor:	7 years
Type of Investment:	Balance Sheet
S&E Category	FI

Project Description

In September 2012, AATIF and PTA Bank signed a USD 30mn facility agreement. PTA Bank is a multilateral financial institution, owned by eighteen East African member states, the People's Republic of China and the African Development Bank. The funding is being used by PTA Bank to expand its agricultural lending activities.

Recent Developments

Project Update: TDB repaid the 2nd tranche of USD 10m under the UD 30m Facility according to schedule with the final tranche due in September 2019. AATIF and TDB are in continuing discussions to determine a partnership model beyond maturity. The bank is currently strengthening its efforts towards energy and SME. It recently signed an MoU with Power Africa (a USAID initiative) on Nov 7 2018 and announced an increase in its exposure in the energy sector from 8% to 20%. The expansion is done on the back of a stable credit rating. On Oct 15 2018 Global Credit Ratings Co. (GCR) affirmed TDBs rating of AAA and A1+ in the long term and short term respectively with a stable outlook based on strong shareholder support and capitalization, and adequate funding and liquidity. Asset quality is expected to improve with the bank's strengthened credit risk management.

Social & Environmental Oversight: No material news.

Technical Assistance: Since the AATIF loan term is coming to an end, the ex-post rapid appraisal is currently under preparation. The consultant is scheduled to travel to Zimbabwe for data collection and interviews in March 2019 on the TDB sub loan extended to the Tanganda Tea Company.

BancABC Holdings Ltd.

Country:	East Africa (Mozambique, Tanzania, Zambia, Zimbabwe & Botswana)
Type of investment:	Financial Institution
Financial close:	December 2018
Tenor:	4 years
Type of Investment:	Balance Sheet
S&E Category	FI

Project Description

In December 2018, AATIF executed a USD 20m senior loan agreement with ABCH Holdings ("BancABC"), a financial institution holding company based in Botswana with subsidiaries operating out of Zimbabwe, Zambia, Mozambique, Botswana and Tanzania. In 2014 BancABC was acquired by Atlas Mara, a company listed on the London stock exchange with banking subsidiaries in seven countries including the BancABC banks. The AATIF facility will enable BancABC increase its exposure to transactions along the entire agricultural value chain.

Recent Developments

Project Update: The new loan facility, secured by a guarantee from BancABC's parent Atlas Mara Limited, is replacing the prior risk sharing agreement signed in December 2013. AATIF continues its partnership with BancABC based on BancABCs strengthened agricultural activities and constructive collaboration on upgrading the Banks SEMS under the new ownership of Atlas Mara. Increasing agricultural finance is one of Atlas Mara's strategic pillars and the company has increased its efforts in Zimbabwe as the country offers significant potential in terms of agri-lending demand. BancABC has built a solid agri-team in Zimbabwe, which acts as source of expertise and support for the entire BancABC group. Tendayi Maura, with more than 27 years of experience in agri lending across Southern and Eastern Africa has led the agric efforts since Dec 2017. To further grow its agricultural footprint BancABC intends to leverage on existing relationships but also enter into new partnerships to increase its exposure to the agricultural sector.

Social & Environmental Oversight: In Q4 2018, BancABC increased efforts to track the development impact generated through its agricultural portfolio. A new reporting form was developed and shared with the country offices in October 2018. The report shows that the bank is (in) directly supporting thousands of permanent and seasonal jobs in agriculture, particularly in Zimbabwe, and various outgrower schemes in Zimbabwe and Mozambique.

Technical Assistance: TA Facility financed coaching of the Bank's Sustainability Specialist is coming to an end in Q4/2018. As a result of the TA Facility engagement, there are tangible indications that BancABC is institutionalizing S&E into its core operations. Besides capacitating the key Sustainability Specialist, BancABC has appointed a deputy and a number of credit officers as new members of the S&E team - at their own initiative - who have undertaken online trainings and participated in the final workshop that was held in Lusaka in September 2018 (attended by 21 participants from Botswana, Mozambique, Rwanda, Zambia and Zimbabwe). A final Report of the consultant is expected in Q1/2019.and seasonal jobs in agriculture, particularly in Zimbabwe, and various outgrower schemes in Zimbabwe and Mozambique.

Export Trading Group ("ETG")

Country:	Pan Africa
Type of investment:	Intermediary
Financial close:	November 2015
Tenor:	5 years
Type of Investment:	Balance Sheet
S&E Category	B

Project Description

In November 2015, AATIF entered into a USD 30m facility agreement with Export Trading Group ("ETG"), a Pan-African integrated trading and processing company specializing in end-to-end agricultural supply chain management and headquartered in Mauritius. The objective of the facility is to support the development of the smallholder agriculture sector in Sub-Saharan Africa. ETG has offices across 40 countries in the world with significant presence across 26 African countries, buying crops from thousands of smallholder farmers without intermediaries and connecting them to global commodity markets, thereby contributing to sustainable employment and income security for local farmers as well as global food security. In addition, ETG provides smallholder farmers with training, agricultural expertise, farming equipment and farming inputs. The proceeds of AATIF's facility will be used by ETG as long-term working capital for the export of crops and import of fertilizers as well as the financing of capital expenditures related to processing plants and warehouses.

Recent Developments

Social & Environmental Oversight: ETG held its annual Environmental Health and Safety (EHS) and Sustainability workshop in September 2018. In an effort to increase capacity for social and environmental management, the Head of Sustainability has been discussing with Human Resources a plan to develop a training programme for staff.

Technical Assistance: In Q4 2018, the baseline data collection for the Rapid Appraisal of the AATIF investment took place in Malawi. The Baseline Study report is expected to be available in Q1 2019.

Coopers-K Brands Kenya Ltd. “CKL”)

Country:	Kenya
Type of investment:	Direct Investment Company
Purpose:	CAPEX financing for local production
Financial close:	January 2018
Tenor:	7 years
Type of Investment:	CAPEX Financing
S&E Category	B

Project Description

AATIF concluded a USD 4m facility to enable Coopers-K Brands Kenya Ltd (“CKL”) finance a new plant for minerals and nutritional supplements for livestock, thereby increasing local value addition.

CKL is a leading animal health and agricultural inputs company in Eastern Africa, and is the franchise distributor of the ‘Coopers’ range of products. CKL has delivered high quality products and solutions for livestock farming in Kenya since 1906 and has recently ventured into crop protection products to expand its product offering to farmers as well as capture more value from the markets it already serves. The goal of the company is to contribute to the transformation of the agricultural sector in Africa by developing and delivering innovative and affordable animal health and crop protection products within easy reach of every farmer in the markets where it has operations.

The key markets for CKL are Kenya, Uganda, Rwanda, Burundi and Tanzania with the company exploring to expand into other markets such as Ethiopia. Within Kenya, CKL has developed a sub-distributor model that ensures its products get to the end users i.e. farmers. This is done through a network of 13 Strategic Business Partners (regional distributors) who then wholesale the products to over 6,000 stockists that deliver products to farmers on a daily basis. The investment would be AATIF’s first investment into animal health and veterinary products hence diversifying the existing portfolio and expanding the fund’s profile with a company active in importation, production and distribution of the said products into the East African region. AATIF considers the investment in CKL as a strategic partnership in enabling the objective of the fund in fostering local value addition, increasing farmers’ productivity and incomes which further contributes to reduction in poverty.

Recent Developments

Project Update: CKL’s new plant is expected to be commissioned during the first quarter of 2019. Once operational the new plant will bring significant benefits to the company as well as the livestock farmers in the region. Adequate supplies of animal health and veterinary products are vital for the livestock farmers in this region, given high disease pressures with animals often facing diseases such as East Coast Fever, anaplasmosis, and contagious bovine pleuropneumoniae. As a result, the small farmers have to constantly treat their livestock to ensure their survival as small farmers raise these animals in order to feed their families. The new plant will also help to reduce dependence on imports, especially from China, and boost local value addition and employment opportunities.

Social & Environmental Oversight: CKL prepared a profile for a Sustainability Communications Officer to oversee the integration of sustainability initiatives within the company and to improve the company’s communication, with a particular focus on sustainability and Environment, Health & Safety (EHS) reporting.

Technical Assistance: In Q4 2018, baseline data collection for the Rapid Appraisal for impact assessment of this AATIF investment took place. The Baseline Study report is expected to be available in Q1 2019. Together with CKL management, the TA Facility Manager has identified a number of potential TA interventions, which are currently under discussion.

African Milling Company

Country:	Zambia
Type of investment:	Direct Investment Company
Purpose:	Working capital financing for local production
Financial close:	August 2018
Tenor:	18 months
Type of Investment:	Collateral Based Financing Working Capital
S&E Category	B

Project Description

In August 2018, AATIF concluded an USD 11m debt facility for African Milling Limited ("AML") in Zambia to enable the Company to purchase maize and wheat for its milling operations in Lusaka. The senior debt facility includes a Working Capital ("WC") Facility of USD 1m and a Collateral Management Agreement ("CMA") Facility of USD 10m.

This innovative financing structure enabled AML to meet its working capital needs and free some of its capital to finance completion of its CAPEX programme, which was stopped as the company had to divert its earnings to finance working capital in the past financial period. The investment will have notable developmental impact as AML purchases maize largely from smallholder farmers in Zambia. The transaction provides liquidity when needed by the mill to buy maize from farmers. It further reduces dependency on trading companies that are buying maize and wheat when prices are low and target to sell the inputs to the mills when prices go up. As both, Maize and Wheat are important inputs for local food supply, large parts of population are relying on the produce of mills to remain being available at affordable prices and in sufficient quantity. The AATIF liquidity addresses these issues.

Recent Developments

Project Update: Maize and wheat prices are continuing to rise in Zambia due to high demand and tightening supply, putting pressure on food security in Zambia and the region. In the meantime, new maize planting has advanced well in most parts of Zambia although planting started late in December due to late and erratic rainfalls. Nonetheless, African Milling Limited has benefitted from the CMA facility provided by AATIF, as the company was able to procure maize and wheat at lower prices from local farmers last year for processing in order to supply food products in Zambia as well as neighbouring countries. As a result, the consumers have been benefiting from getting food products at competitive prices in these markets. However, high demand from the Democratic Republic of Congo for Zambian exports is likely to diminish the current supplies of wheat mid-2019 in Zambia and lead to demand for some imports of wheat.

Social & Environmental Oversight: No material news.

Technical Assistance: No ongoing activities. The TA Facility Manager will enter a dialogue with AML management to identify potential TA project in early 2019.

Contact persons

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Collaboration Partners and Selected Investors

Initiator:

Federal Ministry for Economic Cooperation and Development

Implementation Partners:

KFW DWS ILO UNEP CFC common fund for commodities

Investors:

KFW OeEB European Commission CFC common fund for commodities

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