AATIF INVESTOR REPORTING

Report for the quarter ending 31/03/2021

Activity Report Q1 2021

Quarterly Developments

According to the IMF World Economic Outlook [(1)], GDP in sub-Saharan Africa (SSA) fell by 1.9% in 2020. Projections for this year point to a quick recovery of 3.4% before stabilizing at 4.0% in 2022. In contrast, economic growth in Latin America and the Caribbean fell in real terms by 7.0%, which represented the largest drop in a single year since the struggle for independence 200 years ago [(2)].

Ghana and the Côte d'Ivoire are examples of two SSA countries which have shown considerable resilience despite the broader region's overall contraction. According to the IMF, Ivory Coast's real GDP growth increased by 2.3% in 2020, and is expected to grow by 6.0% in 2021 and 6.5% in 2022.

This more favourable backdrop has facilitated these governments' ability to tap into financial markets to raise liquidity and benefit from the low interest rate environment. In February, the Ivorian government reopened a sale of Eurobonds to lock in cheaper borrowing costs. Eurobonds were three times oversubscribed with the country issuing EUR 600m out to 2032, and EUR 250m maturing in 2048 against an investor demand of EUR 2.8bn. Ghana has also headed back to international capital markets issuing multiple bonds with the aim of raising USD 5bn of which USD 1.5bn would be used to finance the country's 2021 budget [(3)]. The bond offering was oversubscribed at USD 6bn as of April 2021 [(4)].

On the other side of the spectrum, many other African countries are still struggling to tap into financial markets to raise new funds. For example, according to the African Development Bank, six countries are already in debt distress. Among those at a high risk of overall debt distress are Kenya and Zambia [(5)].

Large commodity exporting countries in SSA are, however, likely to benefit from the strong rebound in Chinese industrial activity. This should help to sustain the price recovery in parts of the energy and metals' sectors, with Nigeria, Zambia and South Africa likely to be among the important beneficiaries.

Inflation

Sub-Saharan Africa also saw a surge in prices for many staple crops in the second half of 2020, owing to increasingly compromised food security, reduced household income, and disrupted global food supply chains, according to the IMF.

By comparison, during the food price crisis of 2007/08, the food import bills of developing countries grew by 56%, following a 37% increase in the preceding year. In Africa, the aggregate cereal import bill grew by about 74% the following year, according to IMF projections in 2008 (6).

Food inflation in Nigeria, for instance, rose to 23.0% in March 2021, caused by wide-ranging price increases across items such as cereals, yam, meat, fish and fruits [(7)]. In South Africa, although headline inflation has slowed to levels last seen 16 years ago, prices of food and non-alcoholic beverage prices are 6% higher over the year due to increased exports and lockdown-related consumption (8). Meanwhile, in Kenya, the month-to-month food and non-alcoholic drinks index increased by 1.73% between March 2021 and April 2021 mainly attributed to an increase in the prices of some food items (9). These inflation trends may caution against an imminent easing in monetary policy by central banks in the region. Nigeria's Central Bank announced it was cutting off the supply of foreign currency to importers of wheat and sugar, a move designed to ease pressure on the local currency amid a shortage of US dollars but instead led to a renewed acceleration in inflation and further weakening of the naira, making imports more expensive in local-currency terms (10).

In conclusion, markets are trying to find a new equilibrium and we will continue to observe significant volatility while the ability to source funds by governments is a positive distinction to the last shock of the food sector.

New Investment Activities & Disbursements

During the course of Q1 2021 AATIF concluded the documentation for a USD 4m collateral managed facility (CMA) with Seba Foods Zambia Limited (Seba). Seba is a processing company founded in 1997 in Lusaka which processes maize and soya bean into consumer food products such as snacks, powdered beverages or meat equivalent products. The company is fully embedded into the Zambian value chain, as it is involved in sourcing and processing raw materials locally, while selling their processed "Made in Zambia" product locally and across international markets.

During the course of Q1 2021, AATIF concluded negotiations with Scipion Capital Ltd. ("Scipion"), a London-based investment manager focusing on commodity trade finance, to set up a dedicated investment vehicle for impact investments into the African agricultural sector. The launch of the vehicle and the inaugural investment are expected for Q2 2021.

The Investment Committee approved three facilities for financial institutions and financial service providers towards the agricultural sector, subject to conditions to be fulfilled prior to disbursements. The aggregate volume sums to USD 28m. Two facilities are earmarked for a closing end of Q2/early Q3 2021, the third facility is requiring the FI to first reach a number of milestones before AATIF will be able to make its funding commitments available.

The balance of transactions in the execution stage by end of Q1 2021 stood at USD 30m, the investments in due diligence stage summed up to UDS82m. across 5 investment opportunities.

Existing Investment Portfolio

Management of Atlas Mara, the holding of AATIF's investee BancABC, announced it having made progress in selling its subsidiaries in Botswana and Mozambique. Previously, it had announced the sale of its subsidiaries in Rwanda and Tanzania. Atlas Mara noted having the support of the majority of creditors to pursue the sale of the assets. We note that it appears that no agreement had been reached with minority creditors, which includes AATIF. At this stage, it is not possible to indicate a reliable recovery perspective for AATIF given the complexity of the transaction while we note the ability to identify bidders for banks that are part of Atlas Mara.

Sterling Bank Nigeria intends to "fast forward agriculture: exploiting the next revolution" during 2021. Sterling continues to be one of the key Nigerian agricultural sector enabling banks. It is not only providing finance but also support, which we deem to be highly beneficial for the success of the bank as well as its customers. Support includes the farmers radio supported by AATIF TA, but also its updated agriculture commodities platform operated by SABEX, an affiliate company. According to the bank, SABEX, which was first introduced in 2018, is the world's first fully digitized, end-to-end blockchain commodities trading and financing platform, built by Sterling Bank Plc in collaboration with AFEX Commodities Exchange Limited. The upgraded commodities trading platform provides real-time credit financing solution for farmers, sellers and buyers of agro commodities to transact. We strongly believe that linking the markets with the availability of funding is a superior pathway for all parties along the agricultural value chain to become integrated and generate a balanced distribution in revenues by value added.

The Tunisian MFI Enda Tamweel, despite the overall economic contraction and curfews, achieved a growth in number of clients and the overall portfolio year-on-year. End of February 2021, Enda received backing from the European Bank for Reconstruction and Development (EBRD). EBRD is strengthening access to finance for Tunisian micro, small and medium-sized enterprises (MSMEs). The Bank is providing Attijari Bank of Tunisia with an unfunded risk-sharing guarantee of 50 per cent on a loan to Enda Tamweel. Under the EBRD's Risk Sharing Framework (RSF), Attijari Bank of Tunisia is extending a loan of up to TND 20m to Enda Tamweel for on-lending to local MSMEs which are its core customers and need financial support to cover their liquidity shortages due to the impact of the coronavirus pandemic. We deem the continued support of international financiers to be a positive signal.

Banque NSIA also fared comparably well. The bank concluded a funding facility with the IFC (one-year loan of EUR 25m) while Proparco's provides a portfolio guarantee (up to 80%) aiming to support portfolio companies the credit profile of which were weakened by the crisis.

Fund Performance & Liquidity

The year-end results as of 31 March reflect the investment slow-down, which had two reasons: first the AATIF had to secure additional C-Share capital in order to re-establish compliance with its risk ratios. In Q4 2020, AATIF received USD 72m in additional C-Shares, bringing certainty to all stakeholders and allowing for a restart of the investment activity at a higher pace. The other cause was the increasing uncertainty on the economic developments, which caused financial institutions to reduce their lending activity, lower trade volumes given significant limitations in trade activities, and companies delaying investment decisions.

As a result the preliminary financials of AATIF show a two-sided picture. On the one side, interest and fee income shrank by around 1/3 to about USD6.2m. Nevertheless, total income could be kept stable at 12.8 as a result of EUR assets having increased in value compared to USD liabilities. Net income for the financial year ending March 2021, however, is negative given the provisions that had to be booked.

The other side shows the future with Total Assets having grown from USD153m to USD225.6m y-o-y, most of which by now is cash to be deployed.

Financial statements are undergoing the annual review by AATIF's auditor and will be made available to investors in preparation for the annual shareholder meeting expected to be schedule for September 2021.

Social and Environmental Review

Building capacity to manage social and environmental (S&E) matters and ensuring adequate resources are allocated to S&E management are key principles of AATIF's investments. Several examples of activities undertaken in Q1 2021 show that our partner institutions are committed to this.

In terms of S&E-dedicated staff, AML in Zambia expanded the team by hiring an environmental officer while in Tanzania, Amsons hired a Health, Safety, Security, Environment & Quality (HSSEQ) officer. Capacity to manage S&E matters involves not only the number of staff allocated to these issues but also supporting related governance structures and technical knowledge. One example of a supporting governance structure comes from Kenya, where CKL Africa set up a sustainability committee with representation of all department heads. On training activities, CKL's S&E officer participated in a UN Global Compact training on ethical supply chains.

Finally, AATIF's partner institutions are also supporting their host communities suffering from the COVID-19 pandemic and its consequences. In Tanzania, ETG donated resources to the government's national relief in response to COVID-19. In Mozambique, the company donated food to local authorities and distributed masks and sanitizer across local communities in Nampula, Nacala and Beira.

Impact Measurement

During Q1 2021, AATIF reached out to its partner institutions to collect annual data regarding their S&E and impact performance for 2020. Due to the exceptional circumstances, we included specific questions related to the investee companies' responses to the COVID-19 pandemic. The data received for 2020 will allow AATIF to measure progress across its portfolio, in line with the updated impact dimensions developed in the course of 2020.

In 2021, AATIF is also undergoing a review of its impact measurement framework. In Q1 2021, an experienced consulting firm was selected to lead this process. The consulting firm will appraise the current framework, assess it against international good practice and recommend pathways to improve AATIF's impact measurement processes and governance. The review, financed by AATIF's Technical Assistance Facility, is expected to be concluded by the end of Q2 2021.

Technical Assistance (TA) Update

During Q1 2021, the AATIF TA Facility successfully launched several new projects, one of which includes a design of a cotton out-grower extension scheme with the AATIF investee Mt Meru Millers in Zambia. The aim of this TA project is to assist Mt Meru Millers increase its procurement of high-quality cotton from smallholder farmers. The contracted expert consultant is currently finalising the design and implementation plan for the out-grower extension scheme, which will make Mt Meru Millers prepared for launch of the scheme.

Similarly, another new TA project was launched with the AATIF investee African Milling Limited in Zambia, aiming to assist the company improve their sourcing strategy with the thousands of smallholder maize farmers in their supply network. The contracted consultant is currently developing the design of the proposed sourcing strategy, which will include clear guidance to the company for implementation and potential scale-up to reach more farmers going forward.

Furthermore, Q1 2021 saw the conclusion of a TA project with the AATIF investee CKL Africa in which the AATIF TA Facility financed an independent operational and financial assessment of CKL to provide scenario analyses to enable the company to assess the impact of the COVID-19 pandemic on its operations. This undertaking will assist CKL to better understand how the company may cope with the situation now and post-pandemic.

New Investment Introduction: Seba Foods Zambia Limited

AATIF concluded a USD 4m senior secured CMA facility with Seba Foods Zambia Limited (Seba) to facilitate the sourcing of maize and soybeans in Zambia. Seba is a family-run business founded in 1997 based in Lusaka, Zambia. It is an FMCG company exemplifying the "Made in Zambia" initiative. Seba manages a farm to shelf value chain purchasing raw material directly from the farmers, processing the same and marketing its own brands in Zambia.

Seba has a wide range of products and a varying customer base. The majority of clients are earning a low to very low income and for which Seba produces tailored package sizes at lower costs. A growing client base has also been the middle class buying in supermarkets for whom Seba produces smaller package sizes in higher quality packaging as well as corporate clients like breweries or livestock companies who are keen to ensure high quality inputs for their processing activities. Supermarket chain clients are, among others, Mary's Meals, and Shoprite.

Products: Seba's offering ranges from textured soy as a meat alternative, to powdered/instant drinks, as well as snacks, where the company is among the top market leaders in Zambia. Two of their products are displayed below, being: (i) **HEPS**, also known as corn soya blend, which is a porridge that is prepared by simply mixing with water and cooking. The product is fortified with vitamins and minerals and used to combat malnutrition in growing children over the age of 24 months. It is mainly bought by NGOs and agencies like the WFP, as well as schools, and (ii) **Nutrameal** - a nutritious breakfast meal available in white as well as orange, which is bio-fortified with Vitamin A, to combat Vitamin A deficiency in growing children.

Facility: USD 4m facility structured as a collateral management agreement (CMA) facility for the purchase of maize and soybeans during the season to increase utilization capacity and sales. The facility will be managed in partnership with CMI as collateral manager and a local bank, UBA Zambia. The company aims to impact African farmers by actively engaging smallholder farmers. To promote and increase outreach to smallholder farmers, AATIF established a mechanism which will allow Seba to benefit from an interest reduction when the company meets set social & environmental and smallholder outreach milestones.

New Investment Introduction: Scipion Capital

During Q1 2021, AATIF and Scipion finalised the set-up of AATIF participating in agricultural commodity trade finance transactions originated and managed by Scipion. The first investment, a trade finance facility to a cocoa trader/processor based in Côte d'Ivoire, is expected to be disbursed during Q2 2021. AATIF aims to provide USD 3.5m while the remainder of USD 3.5m shall be provided by another fund advised by Scipion.

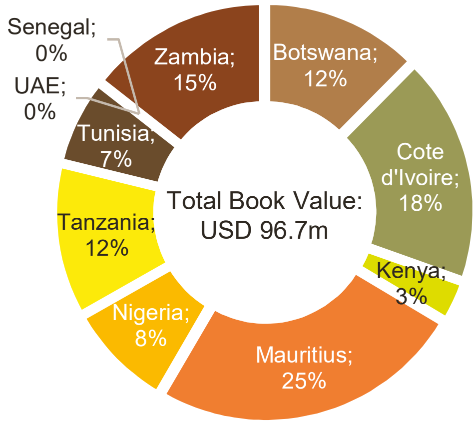
Scipion was founded in 2007 and focuses on self-liquidating short-term loans granted to SME borrowers to finance the delivery, production and processing of non-perishable commodities sourced in Africa. It aims to fill the financing gap left by commercial banks.

AATIF, through its Compliance Advisor, supported the launch of the investment vehicle by guiding Scipion to upgrade its social and environmental management system and related tools, and facilitated capacity building of staff. The investment vehicle shall be open for other impact investors as well.

Through its interaction with Scipion, AATIF aims to potentially crowd in other investors that may have not considered commodity trade finance as an eligible impact asset class. Furthermore, AATIF is gaining access to SME borrowers, who tend to be less well served by the established bank market and may not be accessible to AATIF through its traditional sourcing channels.

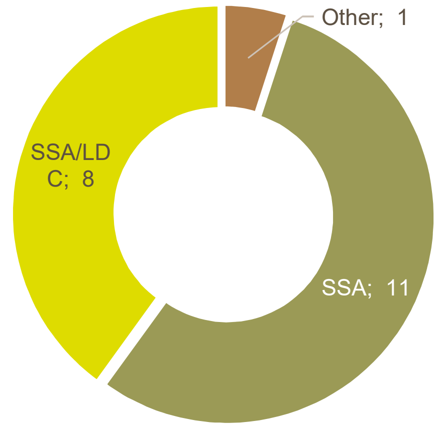
Portfolio Overview as at 31/03/2021

Book value – Country & Rating Category



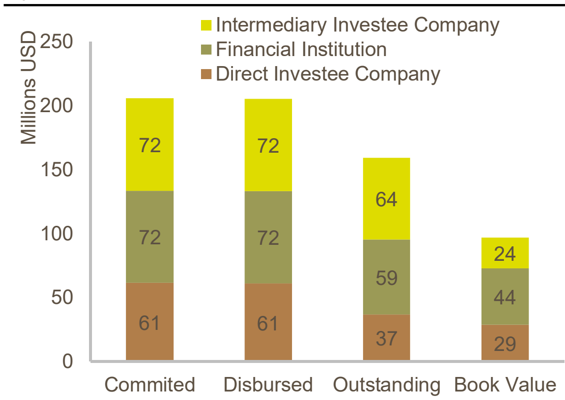
The country allocation of the investment is linked to the place where the legal residency of the investee/ the economic risk bearer is registered.

Transaction Geography (# of investees)

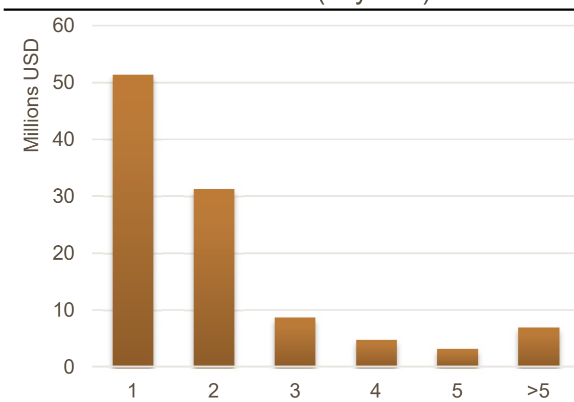


SSA: Sub-Sahara Africa
LDC: Least Developed Countries

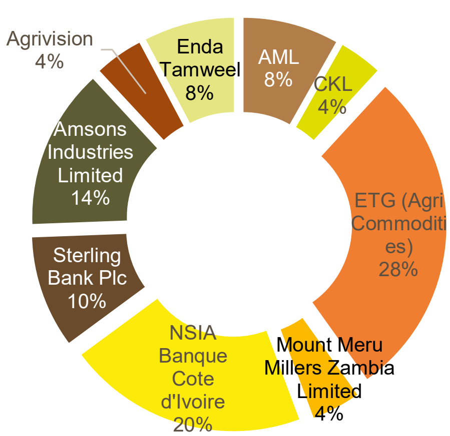
Type of Partner Institution



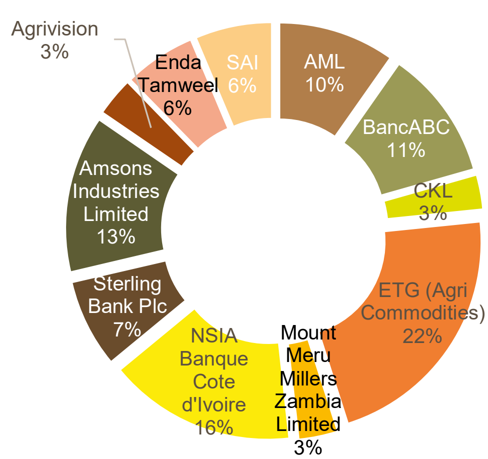
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



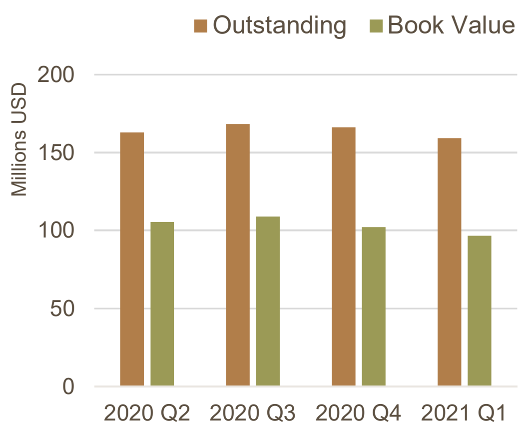
Partner Institution: Net Balance+ Unused Commitment



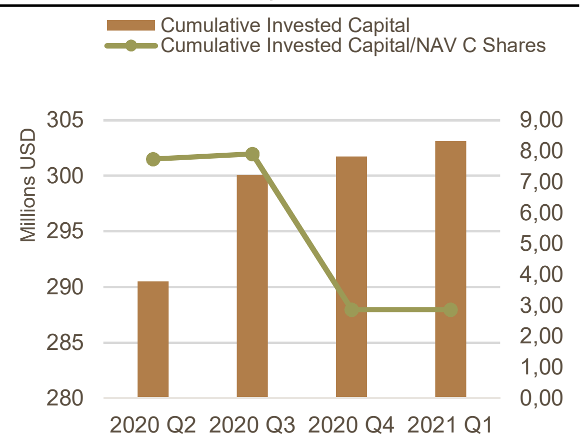
Provisioning Overview

Provisions on invested capital beginning Q1 2021	USD		64,034,051
Release of Provisions	USD	-	1,771,796
Increase of Provisions	USD	+	354,465
Write off	USD	-	0
Provisions on invested capital end of Q1 2021	USD	=	62,616,720
Net Movement during Q1 2021	USD		-1,417,331

Investments Outstanding

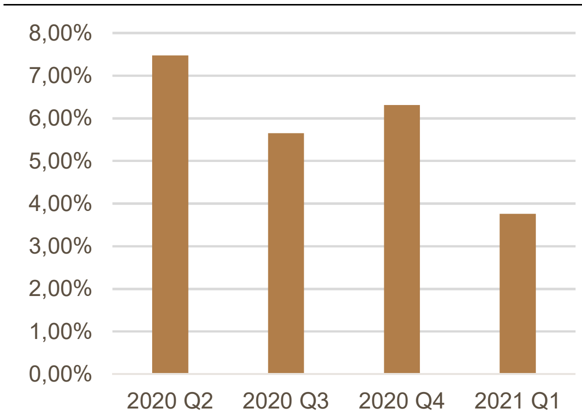


Cumulative Invested Capital vs NAV C Shares



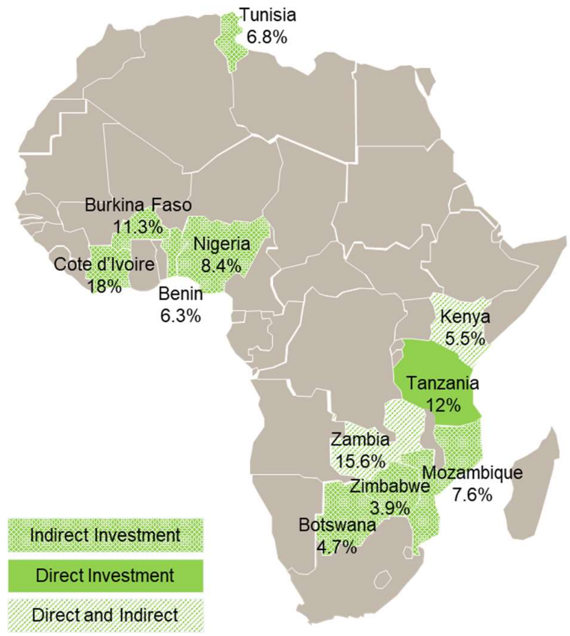
The ratio of cumulative invested Capital/NAV C-Shares decreased from 8x to 3x as AATIF raised additional C-Shares Q4 2020 for further growth of the Fund.

Gross Yield

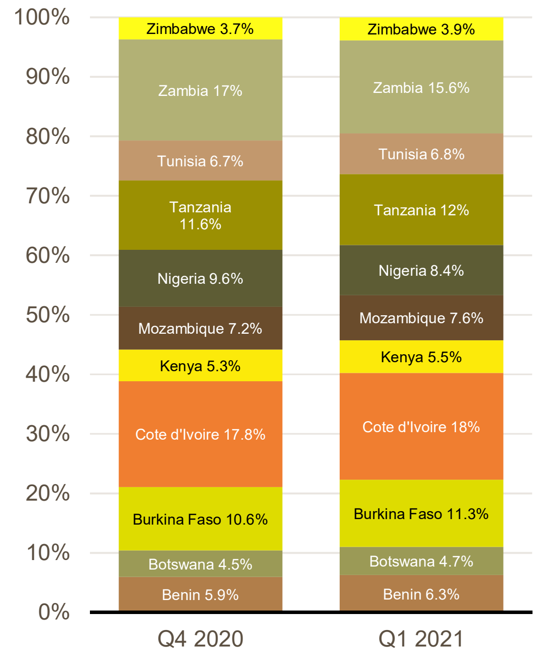


Regional Use of Funding (Data as of different dates)

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 31 March 2021

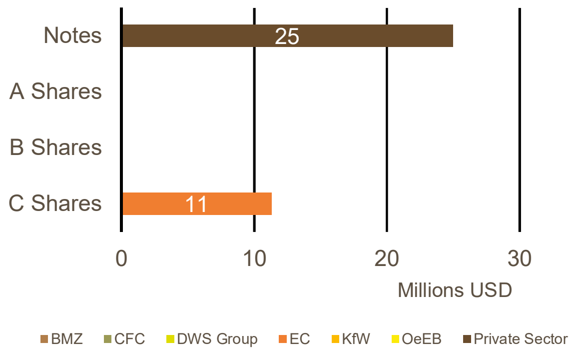


The "Use of Funding Allocation" applies the following methodology:

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.

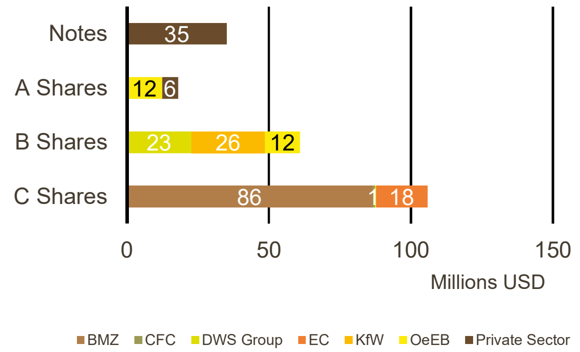
Investor Capital Structure as at 31/03/2021

Undrawn Commitments



Total amount of undrawn capital: USD 36m

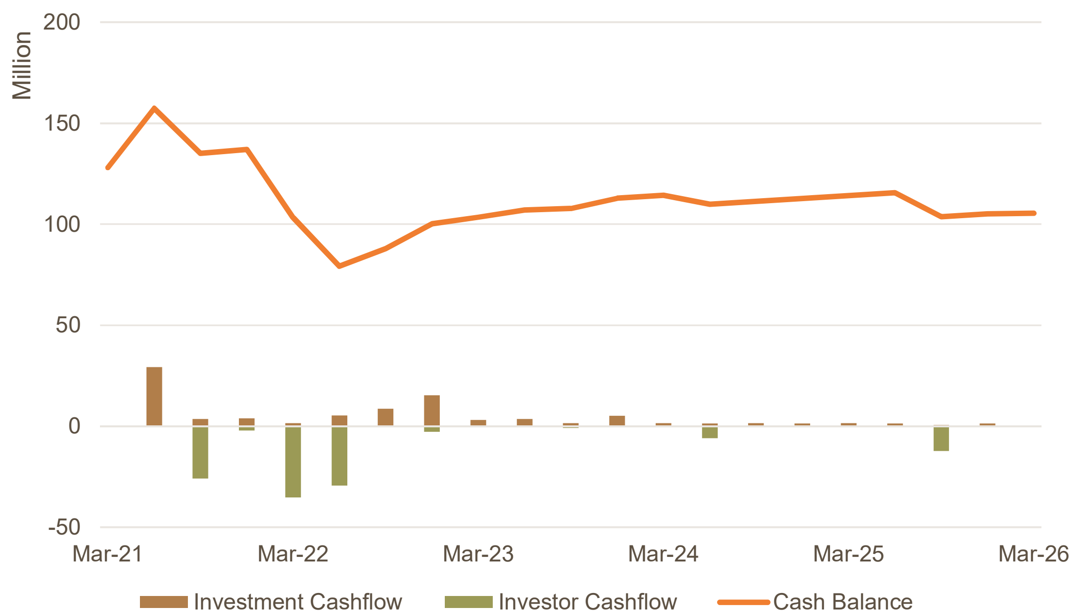
Net Asset Value (NAV) of Outstanding Shares



NAV of the Fund includes cash and other value elements

Asset-Liability Cash Flow Profile

Cash Flow Forecast as of 31/03/2021



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Initiator:

Federal Ministry
for Economic Cooperation
and Development

Collaboration Partners:

KFW DWS ILO UN environment CFC common fund for commodities

Investors:

KFW OeEB European Commission DWS CFC common fund for commodities

Disclaimer

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