AATIF INVESTOR REPORTING

Report for the quarter ending 31/03/2023

Activity Report Q1 2023

Quarterly Developments

Starting with the good part of the news-flow in Q1 2023, we note that the inflation had started to soften in the value chains. The bad side of the development is that the interest rate differential between local interest rates and the hard currencies kept and keeps rising. In turn access to hard currency is a growing problem. Further, inflation is being imported by the deterioration of the currencies. Central banks are sandwiched between the inability to fight inflation as costs for public funds would exceed the borrowing capacity of African governments.

Food supply is at risk in various regions driven by violence across the SAHEL belt, the reliance on imported grain or wheat, which had become significantly more expensive over the past year, as well as weather incidents. Still, many markets are overly reliant on imported food and lack of self-sufficiency.

Voters in Nigeria, Africa's most populous country economy were called to the ballots which resulted in government building since. We await action by the central bank and government to address lack of availability of foreign currency in the country.

The other area we are watching carefully is the Sahel belt with regards to the security problems in the region causing millions of displaced people. While AATIF has no exposure into the Sudan, the Islamic terrorist effects in Western Africa are a growing problem without a solution at sight.

On the government debt release side, Ghana could report agreement with the IMF on a USD 3bn bailout package which, in combination with concessions by government, should give relief to the financial and the real sector. The swift agreement reached by Ghana might be a precedent for other countries like Zambia where markets have a strong appetite for progress and clarity on the needed restructuring of public debt.

New Investment Activities & Disbursements

In Q1 2023, AATIF disbursed a 2nd loan of USD 15m to **Sterling Bank**, extending the partnership that started in 2019 with an initial vision to support the growth of the Bank's agricultural activities. Since then, Sterling Bank and AATIF have worked together on numerous projects, with the Bank making commendable contributions to the Nigerian agricultural sector market. The Bank has become renowned as one of the key partners and lenders to the agricultural sector, with over N100 billion, or approximately 13 percent of its lending portfolio, currently financing agricultural businesses across Nigeria. This, amongst other initiatives such as the Agriculture Summit Africa; the continent's largest private sector-driven conference on the industry, and the Nigerian Farmers' Radio; an educative radio program promoting good agricultural practices aired in all geo-political zones of Nigeria, has endeared the bank to primary producers, aggregators, commodity processors, and exporters.

Beyond the disbursed investments, the Investment Advisor is preparing the documentation for two further financial institutions, one in Kenya and the other in francophone West-Africa, and one direct investment for utilisation in South-East Africa. The balance of transactions in the execution stage transactions by end of Q1 2023 stood at USD 50m.

Existing Investment Portfolio

In Zambia, the currency depreciated steeply during the quarter, with increased inflation and reduced exports identified as key contributing factors. Information from our Partner Institutions highlighted the trajectory of the kwacha increasing by approximately 20%, before depreciating to around 18 kwacha to the dollar by the end of the quarter. This is coupled with increasingly positive sentiment related to country's debt restructuring efforts moving forward, especially with regards to China – the country's largest debtor.

With the soybean harvest season underway, **Seba Foods** started purchasing soybean from farmers in April, aiming to leverage on reportedly high volumes planted during the planting season, and favourable pricing for the crop. The company continues to improve their product offering, with their Nutramilk product line geared to launch in a new tetra pack at the turn of the quarter with an expected export market of South Africa and Zimbabwe.

Mount Meru Millers has also benefitted from the high volumes of oilseed during this harvest season, anticipating purchasing around 600,000 – 700,000 Mt of soya seed from local farmers.

There are, however, anticipated challenges surrounding the maize market in the region. Global pricing of the commodity has steadily risen over the years, climbing from 260 USD/Mt to 315 USD/Mt between 2021 and 2022, and still rising. As a staple food in Zambia, and a key export crop to East Africa, the maize market will be one to watch heading into Q2 2023.

African Milling Limited reported a good Q1 for business. Despite a reported shortage of maize in the country, the company managed to plug the shortfall in maize procured from farmers by purchasing the commodity from the Federal Reserve Agency (FRA) at a reasonable price. As a result, both mills were run at full capacity during the quarter, processing 12,900 Mt of maize by the time of reporting.

AML also reported on the formal closure of the maize export market by the Zambian government in February, with no miller allowed to export the commodity. Although this move was geared towards prioritising the local market and addressing food shortages in certain parts of the country, AML did not see any slowdown in demand for their product, bolstered primarily by sales through wholesalers, van sales, and retail chain Shoprite. In this way, the company continued to be a crucial contributor to ensuring food security in Zambia for consumers.

The company's bakery operations have also continued their steady upward trajectory, now operating 12 outlets across the country. Production of their baked goods has increased from 85-90 bags daily to 130-140 bags (around 4200 bags per month), with 8 trucks dedicated to transporting their product to outlets for sale.

Kenya's CKL Africa reported a slight improvement in operations over the quarter against the backdrop of continually evolving macroeconomic conditions. The long-awaited March rains arrived, bringing relief to the region's breadbasket. However, there is still a period of time between the onset of the rains and the expected increase in output.

CKL also identified the impact of the new government's fiscal policies, alongside rising inflation and falling exchange rates (around 138 Ksh to the dollar) as factors that have hindered operations in the country, though efforts by the government of Kenya and the Central Bank to bolster the interbank market in the country have helped improve availability of the dollar for business. With a proposed finance bill that would (among others) affect VAT ratings and exemptions, this situation will be one to watch for Q2 onwards.

An AATIF investee operating in Western Africa has reported increased volumes of soya meal for export out of Benin and Nigeria. This, coupled with their existing good relationship they have with local processors and farmers in the region, has prompted the investee's desire to further look into increasing processing capacity in the region. The investee has also reported on their efforts to increase organic certification for the farmers they work with to keep up with international organic certification standards.

Fund Performance & Liquidity

For the financial year ending March 2023, AATIF shows a profit according to the management accounts. Profitability has improved as a result of an increasing interest rate environment. Mainly driven by the increase in the interest rate environment, AATIF's gross yield grew to about 11.3 percent by Q1 2023.

Due to AATIF generating a net profit, the Fund can start amortising the Class B Share dividend deficiency. It will need a persistent flow of quarters with sustained profitability to continue amortising the dividend deficiencies. The deficiency reduction booked in Q1 2023 shall be proposed to shareholders to be paid for the financial year that ended March 2023 and is expected to be paid out after the Annual General Meeting which is generally taking place in September. All deficiencies that can be amortised in the coming quarters till March 2024 would be proposed to be paid to shareholders after the Annual General Meeting in 2024.

In Q1 2023, the Fund registered further C-Share contributions in an amount of about USD20m. These result from the final tranche of fund received from the European Commission along with a C-Share contribution from the German Federal Ministry of Development and Cooperation. The latter is earmarked for a utilisation in Cameroon. The total equity of the Fund increased to USD119m.

Social and Environmental Review

During Q1 2023, AATIF Partner Institutions continued fulfilling regulatory requirements in their host geographies and improving social and environmental management. **AML** in Zambia continued construction of new changing rooms with capacity to serve 190 staff (150 men and 40 women) and construction of a staff canteen. The company also upgraded its water distribution system to improve water quality and started conducting water quality testing.

CKL started implementing its Kaizen system of continuous improvement for increased productivity in its production plants. The company also continues using renewable energy from its installed capacity of 200KW of solar power and derived 42% of its energy use from solar in the month of February when Kenya was experiencing higher temperatures than the average.

Vantage drafted its first Social and Environmental Action Plan, and the AATIF onboarded the company's S&E team including a new HSE officer.

ETG started implementing its new Sustainability Reporting Platform. As part of the first phase, environmental, health, safety and security groups ("EHSS") will be trained. Reporting templates will be developed for several modules including for audit management, compliance tasks, quality inspections, risk assessment, sustainability, and work hours.

On the side of the financial institutions' portfolio, **ENDA** continued the development of a Social and Environmental Management System. In Q1 2023, the new system was designed, in line with Enda's organisational structure and portfolio's exposure to E&S risk. Tools were developed to enable Enda to monitor and manage the E&S risks of its portfolio. The tools are aligned with international good practices and adapted to the country context. Responsibilities are clearly defined, and staff trained on the structure of the ESMS and their specific implementation role. While the portfolio's exposure to E&S risk is monitored by the risk management department, the responsibility of the deployment of the ESMS and the implementation of mitigation measures is held by the strategy department. The role of E&S coordination is shared between the Head of agriculture and environment and the Project Manager green finance.

Other S&E updates in the financial institution portfolio include staff changes both in **EBID** and **NSIA**. In **EBID**, a new S&E analyst joined the S&E team. The new hire is expected to support the bank implementing its ESAP.

In **NSIA**, the leaving S&E officer was replaced without any gap. During a monitoring visit, the AATIF Sustainability Advisor onboarded the new S&E officer and discussed the bank's S&E action plan. Lastly, NSIA signed up to the Global Compact.

Impact Measurement

The AATIF continued developing and updating tools used in the Fund's impact measurement and management framework. These included draft guidelines for the impact spider tool to summarise the methodological process to follow when determining, scoring, and tracking impact of AATIF investments. Work continues updating the methodology for the Financial Institutions impact spider tool. In addition, the rapid appraisal baseline report for Vantage is undergoing final edits and its summary will be shared in the next quarterly report.

Technical Assistance (TA) Update

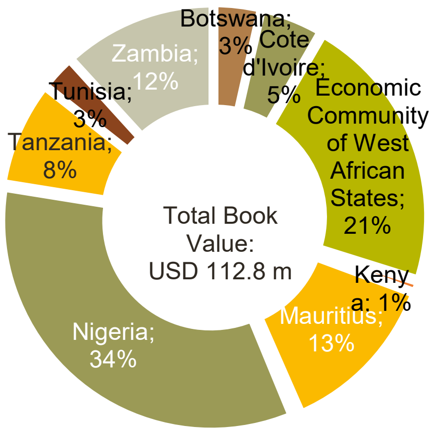
In Q1 2023, the TA Facility Manager (TAFM) launched a new TA project with an AATIF investee to support with the implementation of a company-wide sustainability reporting platform. An experienced software provider has been contracted and the software solution will be configured to the specific needs of company. An accompanying training program will be rolled out in the coming months to capacitate relevant staff to manage the platform and assure effective and continued implementation. The project is of strategic relevance for the company as it will consolidate data collection for sustainability and impact-related indicators from over seventy operational sites.

In addition, three new TA projects have been approved in Q1 2023, including one with a trader operating in the organic soybean market aiming to venture into local soybean processing in Benin. As of April 2024, the company will face increased export taxes and a ban on export of raw soybean as part of an effort of the Benin government to encourage the development of processing units in-country. To support the company, the TAFM has engaged an expert consultant to perform a technical feasibility study to better understand the technical and legal requirements of setting up a processing unit. The project has been launched at the end of March 2023, and will be complemented by an accompanying financial study to be undertaken by the company.

In line with its mandate of supporting agricultural production and improving the livelihoods of smallholder farmers in Africa, AATIF assesses the impact of its investments by undertaking Rapid Appraisal studies at the beginning and end of a loan term. In Q1 2023, the TAFM has commissioned two new Rapid Appraisal studies, including one baseline study on the investment in NSIA Banque (Cote d'Ivoire) and one endline study of the investment in BancABC (Zimbabwe). Both studies are currently in the phase of data collection and are expected to be completed in Q2 2023.

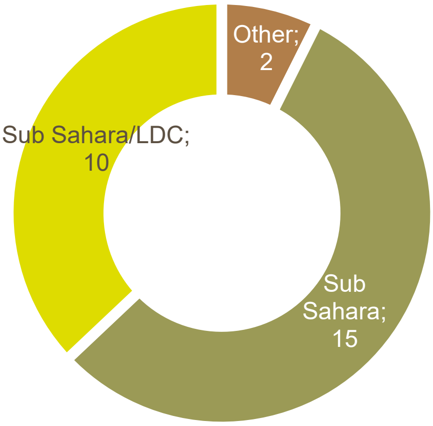
Portfolio Overview as at 31/03/2023

Book value – Country & Rating Category



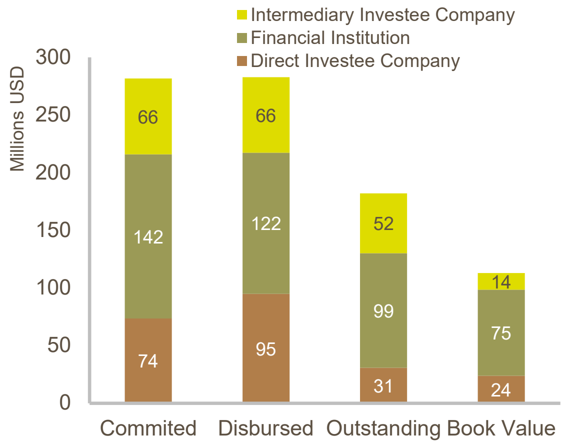
The country allocation of the investment is linked to the place where the legal residency of the investee/ the economic risk bearer is registered.

Transaction Geography (# of investees)

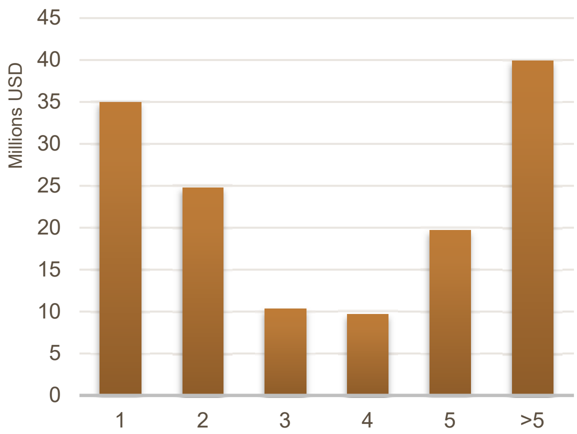


SSA: Sub-Sahara Africa
LDC: Least Developed Countries

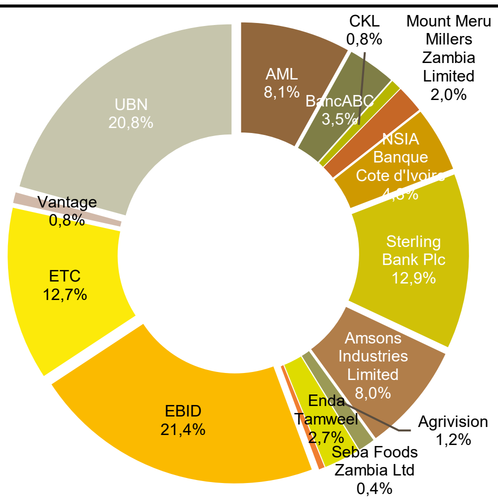
Type of Partner Institution



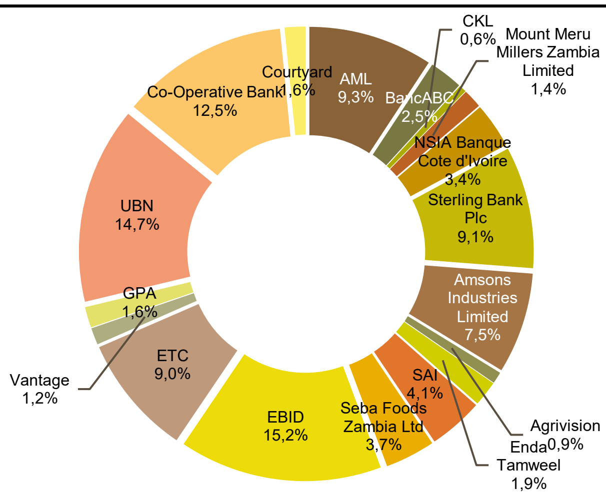
Maturities of the Portfolio (in years)



Partner Institution: Net Balance Exposure



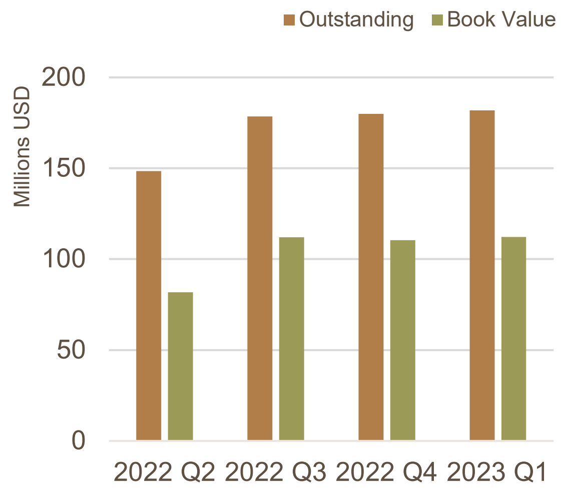
Partner Institution: Net Balance + Unused Commitment



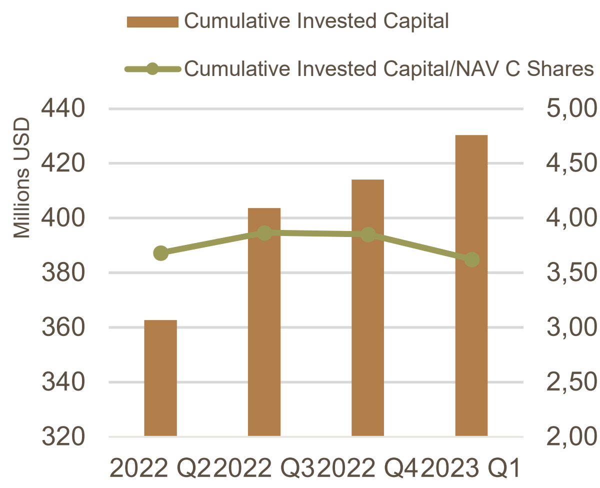
Provisioning Overview

Provisions on invested capital beginning Q1 2023	USD		69,396,786
Release of Provisions	USD	-	770,369
Increase of Provisions	USD	+	1,042,053
Write off	USD	-	0
Provisions on invested capital end of Q1 2023	USD	=	69,668,470
Net Movement during Q1 2023	USD	+	271,684

Investments Outstanding

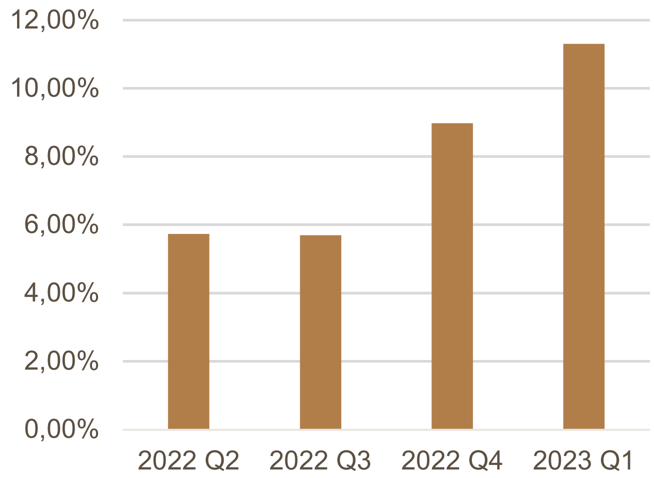


Cumulative Invested Capital vs NAV C Shares



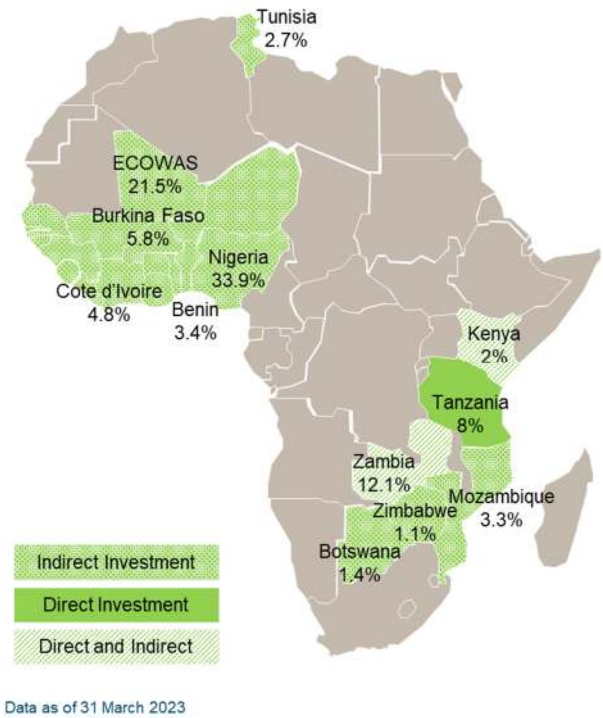
With the registration of additional C-Shares that were paid into AATIF in Q4 2022, the fund level mobilisation ratio decreased slightly. Along the ongoing investment activity, it is expected that the mobilisation ratio will increase again.

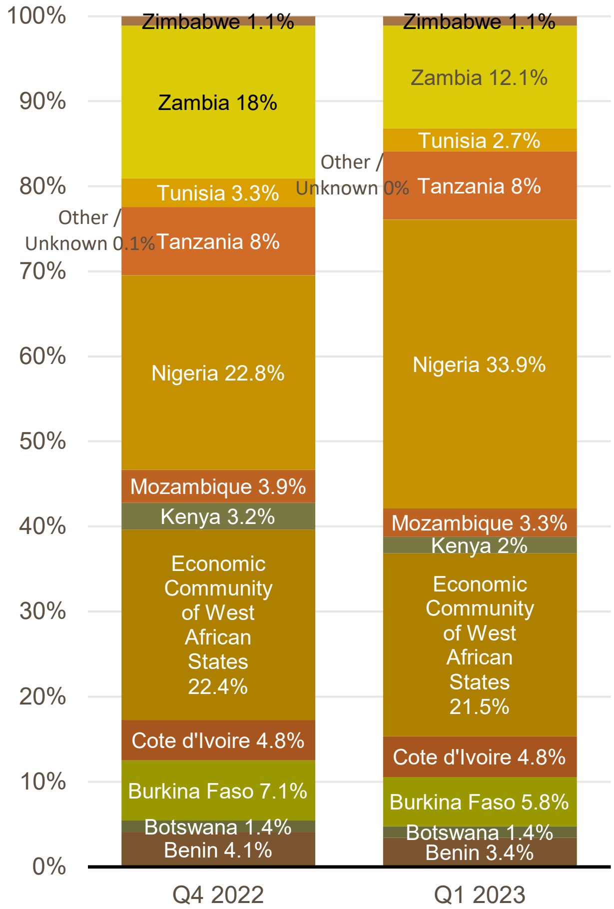
Gross Yield



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.



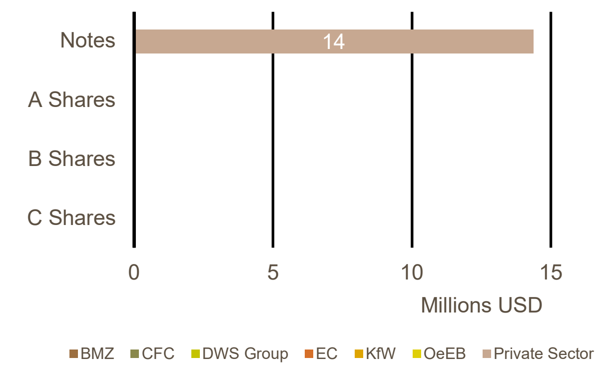


The "Use of Funding Allocation" applies the following methodology:

- The net loan balance (after redemptions, provisions or write downs) is being used;
- For direct investment companies (DICs), the country allocation is determined by the purpose of the loan;
- 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.

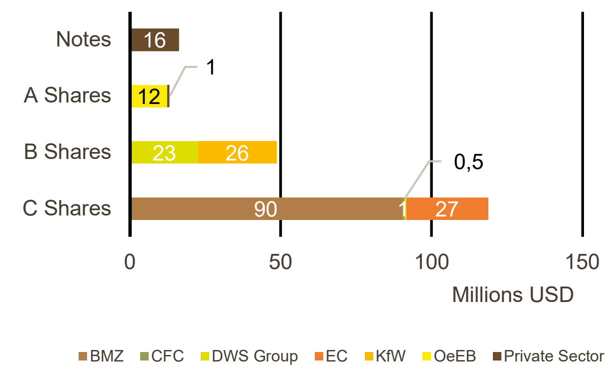
Investor Capital Structure as at 31/03/2023

Undrawn Commitments



Total amount of undrawn capital: USD 14m

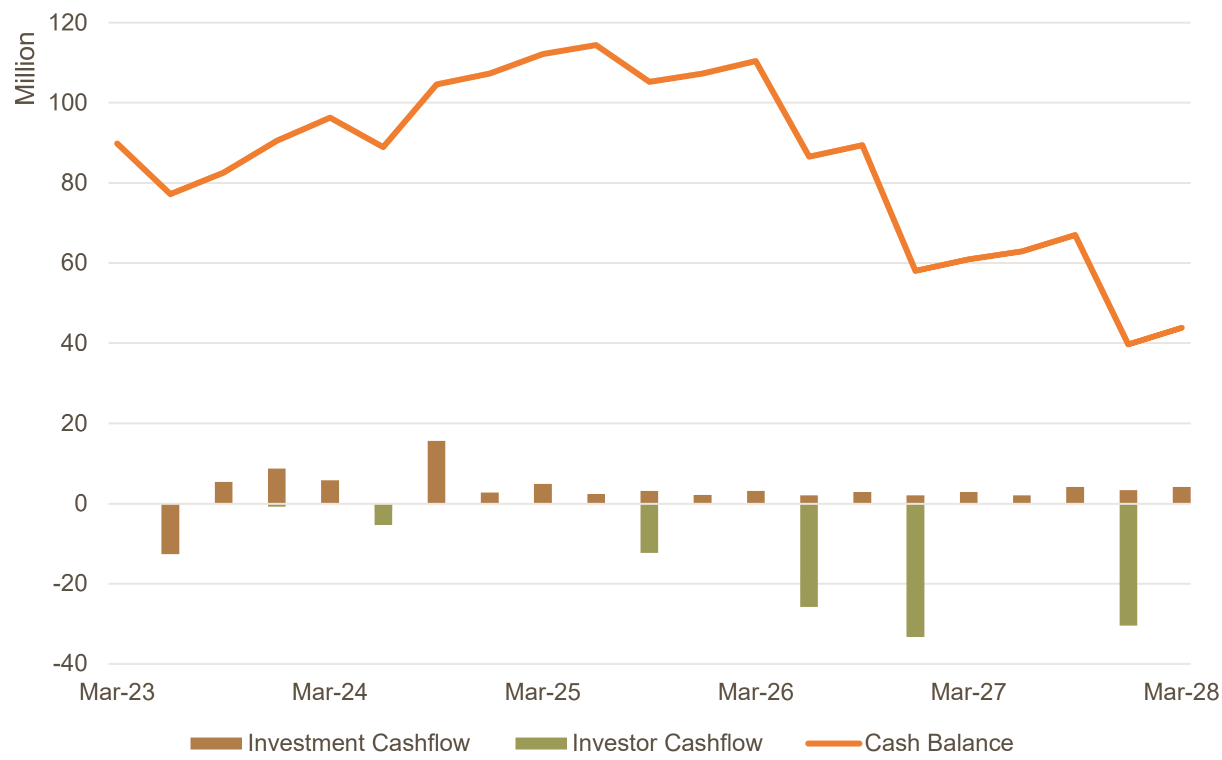
Net Asset Value (NAV) of Outstanding Shares



NAV of the Fund includes cash and other value elements

Asset-Liability Cash Flow Profile

Cash Flow Forecast as of 31/03/2023



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Collaboration Partners and Selected Investors

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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