

Old Mutual African Agricultural Fund

Fund facts

Fund promoter	Old Mutual Investment Group South Africa (Pty) Ltd
Investment manager	Futuregrowth Asset Management (Pty) Ltd, a boutique of Old Mutual Investment Group
Investment advisor	UFF Management (Mauritius) Ltd, an associate company of Futuregrowth Asset Management and Old Mutual Investment Group
Target fund size	USD 500 million
Investment focus	Equity investment in farmland, farming and related agricultural infrastructure.
Social impact	Land development & conservation, employment, community ownership, education, health care, housing, food security & environmental reform.
Hurdle rate & target return	12% in USD as hurdle, target return of 12-19% in USD
Approval process	Investment committee & advisory board
Structure	Luxembourg SICAV
Management fee	175 bps + 20% carry above hurdle rate
Investment structure	The Fund can partly invest through underlying master funds under same investment management/fund advisory that will pool local investors in the underlying agricultural investments in order to create appropriate investment exposure. No double dipping of fees.
Minimum initial investment	USD 1000
Subscription frequency	Monthly
Redemption frequency	Monthly
ISIN	class I-1 LU0796025822 class I-2 LU0852744571
Valuation	Based on valuation guidelines of the International Valuation Standards Council (IVSC), including those as adopted and varied for purposes of agri-related investments.
Fund administrator	Maitland
Depository	UBS (Luxembourg) S.A.
Lock-up	None
Notice period for redemption	45 calendar days
Distribution	Through private placement by locally regulated distributors
Auditors	KPMG Audit S.A.R.L. (Luxembourg)

Investment opportunities in Africa

World trends

- World financial markets currently in state of turmoil
- Global long-term fundamentals putting upward pressure on food prices and farmland value
- Population growth, limited supply of arable land, increased demand on agricultural land for bio-fuel and other non-food products increasing value of farmland.

Why invest in Africa and the agricultural sector

- Amidst ongoing world market turmoil, investors are looking to invest in tangible assets
- Offers inflation beating returns
- Attractive investment opportunities in stable sub-Saharan countries with low valued, premium farmland and agri businesses.
- Provides diversification due to exposure to tangible assets with a low correlation to equities and fixed income and a high correlation to inflation.

Why invest in the Old Mutual African Agricultural Fund

- Internationally farmland has historically been providing inflation beating returns
- Exposure to African farmland via well established and trusted investment managers
- Multiple sources of income through lease income, capital appreciation and value creation from operational efficiencies
- Sophisticated information systems proprietarily owned by the Fund Advisor
- High positive social impact

Fund description, objective and focus

Description

The Old Mutual African Agricultural Fund, part of Futuregrowth's suite of development impact funds, invests in farming and farming operations.

The Fund seeks to achieve:

- long-term financial returns; and
- tangible social and developmental impact.

Objective

The objective of the Fund is to facilitate the creation of world class agricultural farms in Africa to meet the global demands and security for food.

Fund focus areas

- Row crops i.e. cereals and cane
- Permanent crops i.e. citrus and deciduous fruit
- Cattle and dairy

Farm size

Minimum initial investment per farm: USD 5 million, but must be able to expand and consolidate to USD 15 million in the short term.

Social impact

The investment model addresses agricultural initiatives that lead to:

- land development and conservation - environmental reform
- employment - health care
- community ownership - housing
- education - food security

Investment policy

- The fund will mainly invest in equity.
- The investor may redeem units on demand. Units are dealt in on a monthly basis prior to a 45 days notice.
- The fund will invest in primary agriculture in Africa. It thereby specifically targets investments in farmland, biological assets, farming operations and related farm infrastructure. Predominantly through equity instruments and with a maximum of 10% debt.
- The fund is allowed to make discretionary choices in regards to the particular investments that are to be made. The benchmark of the fund will be nominally 12% per annum in USD.
- Income arising from the fund is distributed
- The fund will invest minimally 10% in liquid assets. The fund has the option to invest in debt securities of corporate bodies, governments or other entities, with a minimum rating of AA-
- The choice of assets is guided by increasing real value, realized by improving yield, efficiency and management.
- The impact of portfolio transactions costs is likely to be material due to the strategy adopted by the fund. Transaction costs are likely to be: Due diligence, administration, audit, legal costs and will have a maximum impact of 0.70% per transaction.
- Recommendation: this fund may not be appropriate for investors who plan to withdraw within 3 years
- The Fund works with an investment model, wherein it directly invests in farms and leases out the farmland to large-scale agricultural businesses.
- The farmland will be developed and managed in partnership with these large-scale agricultural operators to enhance its value further.
- All farms acquired by the Fund have further development potential.

Risk reward programme



Narrative explanation of the indicator and its main limitations:

- Historical data may not be a reliable indication for the future
- Risk category shown is not guaranteed and may shift over time
- The lowest category does not mean 'risk free'
- The fund is in this specific category due to the nature of the political and economic situation on the African continent, but is relatively secure due to the high real asset investments of the fund.
- Investments are insured for expropriation, currency inconvertibility and transfer restrictions by the World Bank MIGA insurance.

Narrative presentation of risks materially relevant for the fund which are not adequately captured by the indicator:

- Lease default risk, the fund runs the risk that the lessee defaults in the lease.
- Liquidity risk, the fund invests in agricultural land, which is by its nature sufficiently liquid, yet which may under certain circumstances have a relatively low level of liquidity
- Operational risk including safekeeping of assets
- Currency risk, the fund can make investments in other currencies.
- Commodity risk, the fund invests in commodities.

More about the investment managers

Old Mutual

Old Mutual is the largest financial services company in Africa. The group was established in 1845 and is listed on the Johannesburg Stock Exchange and the London Stock Exchange. With GBP 263 billion assets under management (as at June 2012), the company is trusted by more than 12 million customers worldwide and, for over 166 years, has been serving the growing insurance and investment needs of customers, companies and their advisors.

Futuregrowth Asset Management

Futuregrowth is an investment boutique within the Old Mutual Investment Group (South Africa) with a track record of 18 years and approximately USD 15 billion under management. Futuregrowth has positioned itself as the largest fixed income manager in Africa and a market leader in specialist socially responsible and developmental funds.

Futuregrowth Asset Management is a signatory of the United Nations Principles for Responsible Investment Initiative, including the specific farmland investment principles.

Old Mutual's African operations

Country	Year started	Nature of business and services	
South Africa	1845	<ul style="list-style-type: none"> Life Business (targeting both retail mass and affluent markets) Employee Benefits (Corporate Business) Asset Management Property Investments 	
Kenya	Started in the late 1920s, initially directed from Zimbabwe. First branch established in Nairobi in 1930.	<ul style="list-style-type: none"> Life Business (targeting both retail mass and affluent markets) Asset Management Investments Services 	
Malawi	Operations commenced in 1948. First branch established in 1954.	<ul style="list-style-type: none"> Life Business (targeting both retail mass and affluent markets) Employee Benefits (Corporate Business) Asset Management 	
Namibia	Old Mutual has been operating in Namibia for more than 90 years.	<ul style="list-style-type: none"> Life Business (targeting both retail mass and affluent markets) Employee Benefits (Corporate Business) Asset Management Investments Services 	
Swaziland	Operations started in 1934, out of South Africa. First branch	<ul style="list-style-type: none"> Life Business (targeting both retail mass and affluent markets) New exciting products for the corporate market Asset Management 	
Zimbabwe	Old Mutual has been operating in Zimbabwe for 108 years.	<ul style="list-style-type: none"> Life Business (targeting both retail mass and affluent markets) Investment Services Asset Management Property Investments 	

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Old Mutual African Agricultural Fund (Luxembourg) ("the Fund") has been incorporated for an unlimited period under the laws of the Grand Duchy of Luxembourg as a "societe d'investissement a capital variable (SICAV) under the form of a "societe anonyme" on 31 May 2012 organized under Part II of the Law of 2010.

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More detailed information on the risks and investment strategy can be found in the Prospectus of the Fund.