

# Old Mutual African Agricultural Fund (Luxembourg) - SICAV Quarterly Report

September 2014

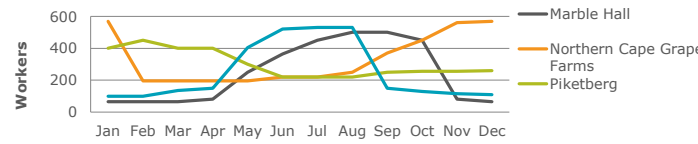


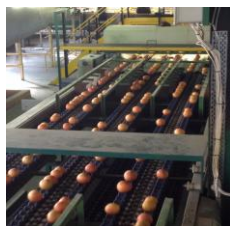
**OLDMUTUAL**  
INVESTMENT GROUP

# Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Société d'Investissement À Capital Variable

## Summary

Fund overview	The Old Mutual African Agricultural Fund (Luxembourg) - SICAV ("The Fund") holds an investment in the Futuregrowth Agri Fund 1 ("SA fund") which invests in South African farmland. The SA fund holds four farm investments: Marble Hall, Northern Cape Grape Farms, Piketberg and Eshowe, comprising a total area of 5 868 hectares (ha). This report deals primarily with the SA fund investments as there are currently no investments in the rest of Africa. The Fund also recently provided working capital finance loan to an agricultural entity.		<h3>Job creation on farms</h3> <p>Labour requirements on farms, particularly fruit farms such as those in the Fund, are affected by a complexity of factors.</p> <p>The most significant driver is seasonality, where a large workforce is required for short periods when the fruit is ready for picking and packing (high season). In between these peaks there is very little need for labour on the farm (low season). These fluctuations are a major consideration for operators when creating new permanent positions for farm workers.</p> <p>A second dynamic that influences job creation is the number of hectares in actual production and their stage in the production cycle. Newly planted grapevines, for example, reach full production after three years, whereas orange trees only reach peak production eight to nine years after planting – and labour requirements would scale up accordingly.</p> <p>Finally, weather and climatic conditions which impact almost all aspects of the farming operation, may also play a role in determining the size of the farm workforce.</p> <p>The table below indicates the total number of workers on the Fund’s farms over the period January to September 2014 and projected numbers for October to December 2014. These trends will be tracked in our annual reports going forward.</p>																																																				
	Investments (SA farm overview)	At <b>Marble Hall</b> fertilisation, pruning and the general cleaning up after the harvest is on schedule. All winter pruning and fertilisation has been completed on the <b>Northern Cape Grape Farms</b> and the harvest should be very good with a possible bonus of the crop being ready earlier than usual. Likewise, at <b>Piketberg</b> a good blossom and fruit set promises another good harvest. Indications at <b>Eshowe</b> are that it was a good decision to diversify the farm into lemon and macadamia production, given current market conditions - and preparations for the new crops are progressing well. Packhouse expansion at Marble Hall, Piketberg and Eshowe is already showing positive results.																																																					
Net asset value	Please refer to the Net Asset Value Inventory Reports on the Futuregrowth Luxembourg website for details.		 <table><caption>Job creation trends (permanent and seasonal)</caption><tr><th>Month</th><th>Marble Hall</th><th>Northern Cape Grape Farms</th><th>Piketberg</th></tr><tr><td>Jan</td><td>100</td><td>100</td><td>100</td></tr><tr><td>Feb</td><td>100</td><td>100</td><td>100</td></tr><tr><td>Mar</td><td>100</td><td>100</td><td>100</td></tr><tr><td>Apr</td><td>100</td><td>100</td><td>100</td></tr><tr><td>May</td><td>100</td><td>100</td><td>100</td></tr><tr><td>Jun</td><td>100</td><td>100</td><td>100</td></tr><tr><td>Jul</td><td>500</td><td>100</td><td>100</td></tr><tr><td>Aug</td><td>500</td><td>100</td><td>100</td></tr><tr><td>Sep</td><td>100</td><td>100</td><td>100</td></tr><tr><td>Oct</td><td>100</td><td>100</td><td>100</td></tr><tr><td>Nov</td><td>100</td><td>500</td><td>500</td></tr><tr><td>Dec</td><td>100</td><td>500</td><td>500</td></tr></table>	Month	Marble Hall	Northern Cape Grape Farms	Piketberg	Jan	100	100	100	Feb	100	100	100	Mar	100	100	100	Apr	100	100	100	May	100	100	100	Jun	100	100	100	Jul	500	100	100	Aug	500	100	100	Sep	100	100	100	Oct	100	100	100	Nov	100	500	500	Dec	100	500	500
Month	Marble Hall	Northern Cape Grape Farms		Piketberg																																																			
Jan	100	100		100																																																			
Feb	100	100	100																																																				
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Nov	100	500	500																																																				
Dec	100	500	500																																																				
Performance	The ZAR currency weakened by 6% relative to the US Dollar in the quarter, which had a negative impact on the net asset value of the Fund.																																																						
Social impact	Training initiatives on the farms covered permaculture, health and safety, carbon calculator and financial literacy, as well as the identification of eight workers at Marble Hall for management level training assessment. Optimisation of healthcare benefits is under discussion at Marble Hall and the Northern Cape, with roll out of the healthcare programme commencing at Eshowe.																																																						
Key data	Committed capital	: USD 6.3 million (ZAR 62 million) to SA farmland																																																					
	The Net Asset Value per share of the Fund at end September 2014	: USD 89.90																																																					
	Total farm workers impacted	: As at 30 September 2014, <b>214</b> workers received pre-paid healthcare and <b>78</b> workers AET.																																																					



Activity at Eshowe: juicing fruit being loaded; fruit being graded; self-loading crate transporter built by the operator; stump removal for wind breaks

OcsaCare training at Piketberg

# Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Société d'Investissement À Capital Variable

## Fund overview

As at 30 September 2014 the Old Mutual African Agricultural Fund (Luxembourg) SICAV (The Fund) had committed capital of USD 6.3m (ZAR 62m) to the SA fund, which is invested in South African farmland. Of this, USD 5.7m (ZAR 52.3) had been drawn by the end of the quarter.

The invested capital is spread across four deals: Piketberg, Northern Cape Grape Farms, Marble Hall and the Eshowe Citrus Farm. Furthermore, working capital finance has been provided to an agricultural entity.

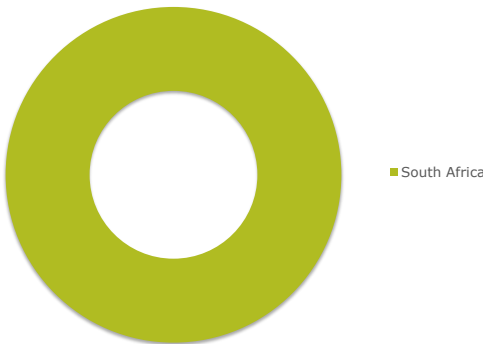
**Eshowe**, a consolidation of four farms acquired in January 2014, is located in the Nkwalini Valley of KwaZulu-Natal, approximately 150 km from the Durban Harbour. This investment offers extensive expansion opportunities in a highly sought after grapefruit and lemon production region.

**Piketberg** is a consolidation of three deciduous and stone fruit farms in the Western Cape province acquired in November 2011.

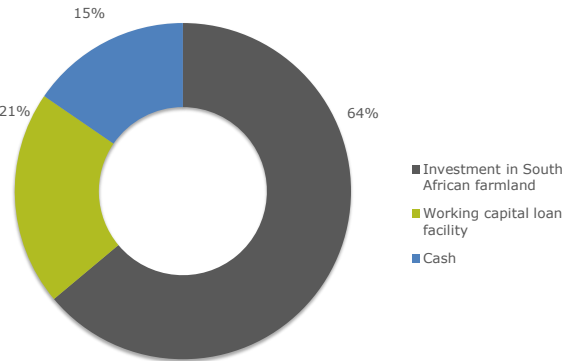
**Northern Cape Grape Farms** is a consolidation of three table grape farms in the Northern Cape province bought in August 2011.

The **Marble Hall** investment is similarly a consolidation of three citrus farms in the Limpopo province, acquired in December 2010.

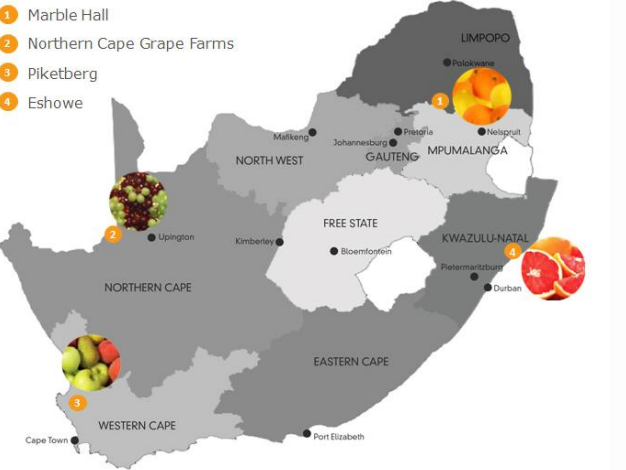
Country exposures



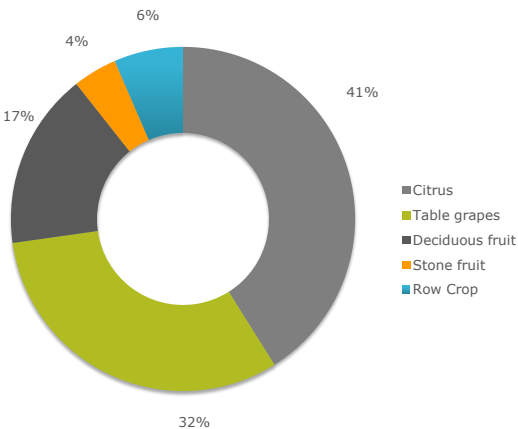
Asset allocations



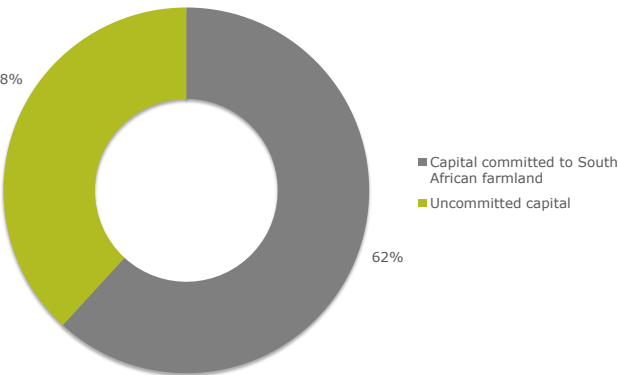
Deals done in South Africa:



Crop allocations



Allocation of cash



# Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Société d'Investissement À Capital Variable

## South African farm overview

	Marble Hall	Northern Cape Grape Farms	Piketberg	Eshowe
Acquisition date	Dec-2010	Aug-2011	Nov-2011	Jan-2014
Investment period	10 years	10 years	10 years	7 years
Primary crop	Citrus	Table grapes	Deciduous and stone fruit	Citrus
Region	Limpopo, bordering Mpumalanga	Northern Cape	Western Cape	KwaZulu Natal
Total farm size	936 ha (including natural lands)	3 183 ha (including natural lands)	1 035 ha (including natural lands)	714 ha (including natural lands)
Primary production and infrastructure area combined	714 ha (222 ha natural lands)	222 ha (2 961 ha natural lands)	147 ha ( 888 ha natural lands)	407 ha (307 ha natural lands)
Operator	JV between farmer Nelus Potgieter and SAFE Farm Ventures (SFV)	SFV	JV between farmer Hugo Schreiber and International Fruit Services (IFS)	Afrifresh (Pty) Ltd
Operator company/ies	Fanchon (Pty) Ltd / Somerhoek (Pty) Ltd	Onderstepoort (Pty) Ltd	Hochland (Pty) Ltd	Fruitstar (Pty) Ltd
Property SPV	Royal Dawn Farming (Pty) Ltd	Matlotlo Trading 27 (Pty) Ltd	Salestalk 173 (Pty) Ltd	Cedarpoint Trading 21 (Pty) Ltd
Individual farm names	Somerhoek	Onderstepoort	Stawelklip	Mvubu
	Loskop	Nuweland	Voorstevlei	Bridgeford
	Elandsdrift	Oranjestroom	Hochland	Sunnyside, Thabile
Farm performance <sup>1</sup>	<p>This farm had set one of the largest crops in its history and expected to packout about 500 000 export cartons. However, to avoid any blackspot findings the operator had to be very strict on the sorting of the crop. This resulted in an additional 25% of the crop going to juice, with a final export volume of 395 000 cartons being achieved in this season. The fruit was received very well in the market and no blackspot was found on the product off this farm.</p> <p>The farm was affected by two severe cold snaps that resulted in some damage to about 10% of the 75ha of new plantings. The operator is currently in discussion with the nursery on how to replant these trees.</p> <p>The farm is generally in good order and fertilisation, pruning and the general cleaning up after the harvest is on schedule.</p>	<p>All winter pruning and fertilisation has been completed and the farms are now set for the 2014/15 season. Current signs are that the harvest will be very good, with the crop ready at least seven days earlier than usual.</p> <p>A light frost was experienced which has not caused any damage.</p> <p>The new plantings on Nuweland are now in their 50%-of-full-production phase, with about 2 500 cartons per hectare expected - a significant asset for the Fund. Onderstepoort is looking at its best since acquisition and with management issues a thing of the past the farm is set to reach its full potential. Oranjestroom is now fully developed and new plantings are going to bear fruit for the first time this season.</p>	<p>The farm has experienced good winter rains and all dams are overflowing. Good rainfall presents its own challenges, and despite trying conditions, the operator has managed to maintain the farm very well. Rain caused some challenges on a relatively small area on Stawelklip, however, prompt action by the operator minimised erosion and the area has already been rehabilitated.</p> <p>Contract packing of citrus crops on two neighbouring farms assisted the operator with cashflow over this period.</p> <p>The stonefruit season is about to start and the farm has experienced a good blossom and fruit set with the promise of another good harvest.</p>	<p>Grapefruit had a tough season with the market for small fruit being a challenge. The operator managed to get fruit onto most of the Japan vessels early in the season. Challenges later in the season revolved around finding ways to avoid blackspot sensitive markets and to export most of the count range. A good juice market prevailed and the operator managed to exploit this by picking the crop early.</p> <p>The valencia market also proved to be a challenge and the operator had to be very selective on fruit quality and size in order to generate value.</p> <p>In view of the current market conditions it has been a good decision to diversify the farm into lemon and macadamia production.</p>
Expansion update	<p>Ablution facilities at the packhouse and worker housing complex have been completed. Contractors have moved in to build the additional 80 person accommodation units.</p> <p>Down payments have been made on the clearing of the 70ha development on H19, after the 2014 crop was removed. The centre irrigation pivot has been dismantled to make way for the heavy land preparation equipment. Plans for the new irrigation equipment have been approved and down payments made in anticipation of the tree planting scheduled for November.</p> <p>The new packhouse has had a very successful second season with all the new equipment now working well.</p>	<p>The installation of netting has proven to be a significant challenge, with material in short supply and the contractor moving at a slow pace. Farmers in the area have started to realise the importance of covering their crops with netting, thus placing the supply sector under considerable strain.</p> <p>The last of the new plantings on all three properties have been completed and the farms are now fully developed. The focus is now on the expansion of the packhouses on Oranjestroom and Nuweland to accommodate the larger crop.</p>	<p>A big effort has gone into the development of this farm and the land preparation for citrus, pome and stonefruit plantings has progressed very well.</p> <p>The packhouse alterations have gone through one full season and the early teething problems are something of the past.</p>	<p>The farm has progressed well with land preparation and all low production citrus has been removed to make way for the new lemon, macadamia and banana development. The drainage of the land prior to preparation has been completed and the effects of this can already be seen.</p> <p>The alterations to the packhouse have improved the through-put such that the entire crop could be packed at the Mvubu facility.</p>
Site visits during the quarter	22 August; 4, 17, 30 September 2014	No visits during the quarter	31 July 2014	23 to 25 July; 15 August 2014

Note 1: The Fund itself has no exposure to primary agricultural risk as the farms' operating performance is for the account of the operator.

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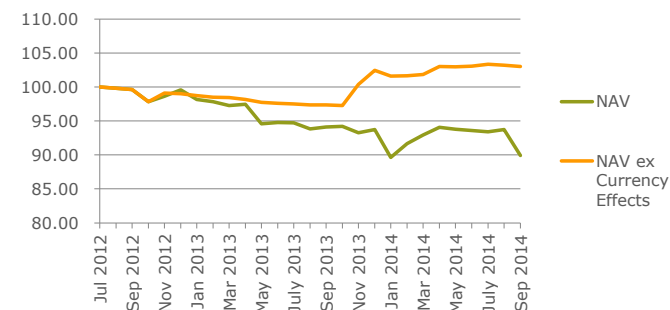
Société d'Investissement À Capital Variable

## Fund performance

Emerging market currencies continued to remain volatile during the quarter. The ZAR currency weakened by 6% relative to the US Dollar in the quarter, which had a negative impact on the net asset value of the Fund. The investments within South Africa continue to perform well and the outlook on profitability of the farms within South Africa look positive with the weaker currency benefitting exports.

The ZAR currency relative to the US Dollar closed at the end of September at levels last seen in January 2014.

### Performance (historical NAV)



## SA fund performance

The Fund has a very short history; therefore an extract of the daily time weighted returns provided by the SA fund is shown on the right. The SA fund delivered a return of 1.45% this past quarter and 8.37% over the past year.

The investment performance of the SA fund reflects 7.39% per annum for the period since inception.

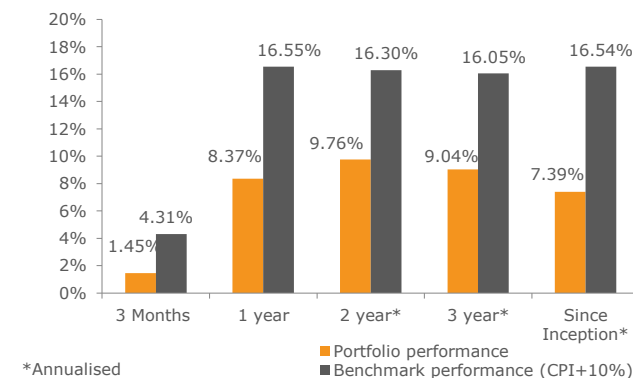
It must be noted that these types of investments tend to be capital intensive in the early years. Therefore, return expectations during the first few years tend to be lower but as time progresses the returns follow a J-curve effect. The J-curve effect is less pronounced than private equity investors are accustomed to, due to the lease income stream generated by the farmland assets after their acquisition.

The returns during the quarter were attributable to the lease fee income net of costs.

Independent valuations on the assets will commence during the fourth quarter.

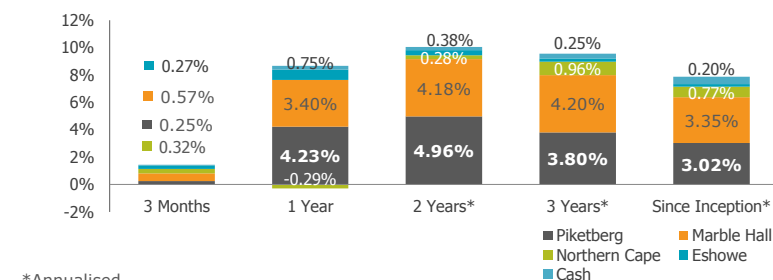
The performance calculation is based on the daily time weighted returns methodology.

### SA fund returns (ZAR Denominated)



\*Annualised  
Source: Futuregrowth

### Farm level returns



\*Annualised  
Source: Futuregrowth

## The components that drive returns

- Capital appreciation on the underlying investment properties.
- The CPI-linked lease fee: the lease is a fixed percentage of the purchase price of the land, escalating annually at CPI.
- Expansion potential of the investments: not only gives an increased lease yield once the new developments reach production, but the capital value is also enhanced on revaluation and exit.
- The investment returns may be affected by exchange rate movements.

# Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Société d'Investissement À Capital Variable

## Social impact: South African fund

		Marble Hall	Northern Cape Grape Farms	Piketberg	Eshowe	Total
Permanent employees* (workers with contracts longer than 1 year)	At take-on:	25	94	102	83	304
	At Sept 2014:	63	72	119	81	335
Seasonal workers*, depending on season	Currently, up to:	450	950	520	440	2360
Projected new jobs (permanent & seasonal), due to expansion	Projected new jobs:	300	465	100	212	1077
Employees with access to pre-paid primary healthcare	At take-on:	0	0	0	0	0
	At Sept 2014:	63	0	49	102	214
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0	0
	At Sept 2014:	63	0	49	102	214
Employees receiving adult education	At take-on:	0	0	0	9	9
	At Sept 2014:	34	32	0	12	78
Employees receiving management training	At take-on:	0	0	0	0	0
	At Sept 2014:	0	6	0	0	6

The table above tracks the social impact initiatives underway on the Fund's farms.

### Training initiatives on the farms include:

-At Marble Hall, permaculture training for 24 workers commenced in September and 8 workers have been identified for assessment for management level training.

-At the Northern Cape Grape Farms, leadership and mentorship training was provided for supervisors by FPEF (Fresh Produce Exporters Forum) and on-site health and safety training for workers' committees by Skills4U.

-Carbon calculator training has been organised for the management on both Marble Hall and the Northern Cape Grape Farms.

-At Piketberg, financial literacy training took place for workers involved in workers' committees and a refresher course for workers on the healthcare programme took place.

### Health care developments include:

-Negotiations are underway at Marble Hall to coordinate healthcare initiatives between the Limpopo Department of Health and Social Welfare and CareCross (the providers of the pre-paid OCSACare healthcare programme for farm workers).

-At the Northern Cape Grape Farms transport is provided for permanent and seasonal workers to and from the doctor and pharmacy in Kakamas and Augrabies when required. Together with the operator, discussions with a local nurse are underway, with the intention that she will visit farms on a weekly basis. Depending on the outcome of this, roll out of the OCSACare programme is foreseen at a later stage.

-Additional workers at Piketberg have been enrolled on the OCSACare programme, with membership starting in October 2014.

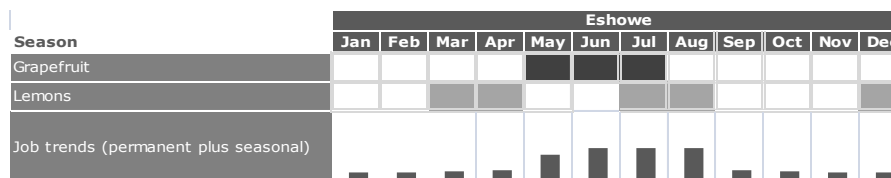
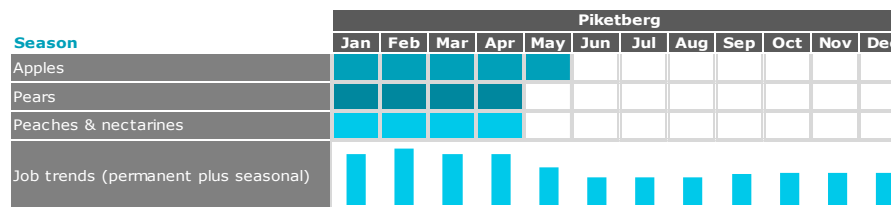
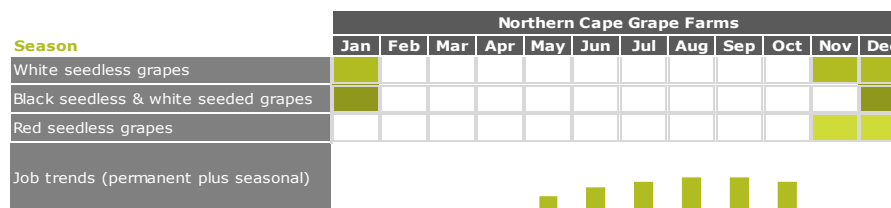
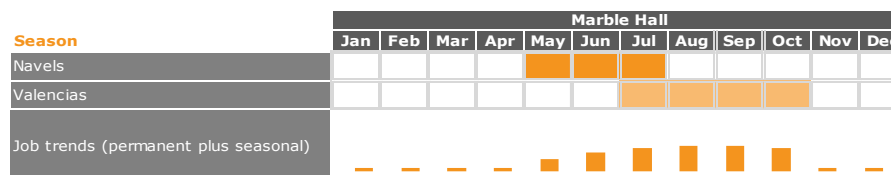
-Roll out of the OCSACare programme at Eshowe took place in July 2014. This included all permanent workers as well as selected seasonal workers who are expected to become permanent employees in the near future.

## \*Farm seasonality

The SA fund currently has three labour intensive fruit farm investments. These present a greater opportunity for social impact than other (less labour intensive) types of farming. However, the seasonal nature of these operations means that labour requirements and activities can fluctuate significantly during the year with the resultant impact on job creation, housing, healthcare and training. (See the article on the Summary page of this report.)

Where possible, the operators make an effort to keep as many workers employed for as long as possible during the year via work on general maintenance or other crops, or packing fruit for other farms.

The tables below depict the seasons for the major crops currently produced on each of the Fund's farms, together with the concomitant labour requirements.



# Old Mutual African Agricultural Fund (Luxembourg) - SICAV

*Société d'Investissement À Capital Variable*

## Fund facts and general information

### Price publications and regular information

Information on the Fund's development is available through selected banks. Additional regular information may be obtained from the Fund's investment advisor, UFF Agri Asset Management (www.uff.co.za), or the Fund manager, Futuregrowth Asset Management.

### Fund domicile and type

Luxembourg,  
Société d'Investissement à Capital Variable (SICAV)

### Inception date

August 1, 2012

### Central administration

Credit Suisse Fund Services  
(Luxembourg) S.A., Luxembourg

### Investment manager

Futuregrowth Asset Management  
Cape Town, South Africa

### Investment advisor

UFF Agri Asset Management (Mauritius)  
Mauritius

### Custodian

Credit Suisse (Luxembourg) S.A., Luxembourg

### Fund currency

The Fund currency is USD.

### Investment currency

Primarily, investments are made in USD. In certain cases, investments can be in ZAR. Local currencies are permitted on a limited basis.

### Valuation

(NAV calculation)  
The Net Asset Valuation is calculated on the last bank working day (banking days) in Luxembourg each month (valuation date).

### Value date

The payment of the purchase and the redemption prices is usually made within ten banking days in Luxembourg after the valuation date.

### Issue / purchase of shares

Fund units are issued monthly. Subscription requests must be submitted three banking days before the respective valuation date.

### Issuing fee

As per bank fees

### Redemption/sale of units

The redemption of units is possible at the end of any month subject to 45 calendar days notice.

### Valor

USD LU0796025822  
USD LU0852744571

### ISIN

### Class

I-1  
I-2

### Denomination

The initial unit price was USD 100. The minimum subscription amount is USD 1,000.

### Returns / dividends

No distribution, proceeds are reinvested.

### Management fee

A maximum of 1.75% p.a.

### Performance fee

20% of the excess return over the hurdle rate of 12% after management fees in nominal terms.

### Sales authorization

Luxembourg, The Netherlands

### Distribution / paying agents

Credit Suisse (Luxembourg) S.A., Luxembourg  
Futuregrowth Asset Management,  
Cape Town, South Africa  
UFF Agri Asset Management,  
Cape Town, South Africa

### Fund promotor

Old Mutual Investment Group,  
South Africa

## Contact details

### Futuregrowth Asset Management

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## Disclaimer

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 "société d'investissement à capital variable (SICAV) under the form of a "société anonyme" on 31 May 2012 organized under Part II of the Law of 2010.

Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth"), a licensed financial services provider in the Republic of South Africa, in terms of the Financial Advisory and Intermediary Services Act 37 of 2002, produced the Fund Factsheet in good faith. Although the information in the Fund Factsheet is based on sources considered to be reliable, Futuregrowth makes no representation or warranty, express or implied, as to the accuracy or completeness of the Fund Factsheet, nor does it accept any liability which might arise from making use of this information.

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

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