

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

March 2014



**OLD MUTUAL**  
INVESTMENT GROUP

# Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Société d'Investissement À Capital Variable

## Summary

Fund overview	<p>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. With the recent acquisition of the Eshowe farm in KwaZulu Natal, the SA fund now holds four farm investments: Marble Hall, Northern Cape Grape Farms, Piketberg and Eshowe, comprising a total area of 5868 hectares (ha). This report deals primarily with the SA fund investments as there are currently no investments in the rest of Africa.</p>	<b>The SA Fund concludes its farmland investments</b>
Investments (SA farm overview)	<p><b>Marble Hall</b> experienced good summer rains throughout the growing season. This presented some challenges, particularly with regard to pest management. In a wet season spraying opportunities are restricted and heavy rain may wash off pesticides. In spite of this the farm managed to keep the crop pest free. <b>Northern Cape Grape Farms</b> experienced a particularly challenging season due to exceptionally late frost in the region. At <b>Piketberg</b> the stone fruit crop has been above average in yield, with good prices being achieved. The <b>Eshowe Farm</b> was only taken over in this quarter and we are expecting to have an average citrus crop off the farm.</p>	<p>The final farm investment was made by the SA Fund at the end of 2013, with transfer of the property taking place in January 2014. This is a consolidation of four farms situated in Eshowe, in the Nkwalini Valley of KwaZulu-Natal, approximately 150 km from the Durban Harbour. The investment offers extensive expansion opportunities in a highly sought after grapefruit and lemon producing region. The operator is the Afrifresh Group, one of the largest vertically integrated South African exporters of citrus and grapes.</p> <p>The acquisition includes all all farmland, fixed improvements and moveable assets. Expansion plans for the farm include extensive replanting as well as new planting of citrus orchards, upgrading the water infrastructure, building a new degreening facility and upgrading the packhouse. The replacement of unproductive Valencia orchards with grapefruit and lemons is expected to produce considerably better yields. The Nkwalini Valley is located in a sub-tropical, summer rainfall area characterised by warm wet summers and cool dry winters, making it particularly suitable for the cultivation of citrus.</p> <p>The farm was one of the first trial farms in the new Sustainability Initiative of South Africa (SIZA) initiative, and has introduced a carbon tax programme. AET classes for permanent workers are run and financed through Agriseta and the nearby clinic eases access for workers to chronic medicine. In terms of ethical standards and environmental and social programmes, the farm is considered one of the front-runners in the region.</p>
Net asset value	<p>Please refer to the Net Asset Value Inventory Reports on the Futuregrowth Luxembourg website for details.</p> <p>The SA fund started receiving lease fee income from the citrus farm in Eshowe, KwaZulu-Natal during the quarter, which will contribute positively towards the Fund's returns going forward.</p>	
Performance	<p>The lease fee income net of costs as well as the revaluation of one of the farms in the SA fund contributed to the positive returns. There is also diminished cash drag in the Fund after the Fund sponsor redeemed part of its capital towards the end of 2013.</p>	
Social impact	<p>The SA fund took transfer of the Eshowe farm in January 2014, where the ESG initiatives are still in the assessment stages. However, the farm is one of the foremost in its region in terms of the implementation of ESG programmes in general.</p>	
Key data	<p><b>Committed capital</b></p> <p><b>The Net Asset Value per share of the Fund at end March 2014</b></p> <p><b>Total farm workers impacted</b></p>	<p>: USD 5.9 million (ZAR 62 million) to SA farmland</p> <p>: USD 92.91</p> <p>: As at 31 Mar 2014, 112 workers had access to pre-paid healthcare and 78 workers to AET.</p>



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Société d'Investissement À Capital Variable

## Fund overview

As at 31 March 2014 the Old Mutual African Agricultural Fund (Luxembourg) SICAV ("The Fund") had committed capital of USD 5.9m (ZAR 62m) to the SA fund, which is invested in South African farmland. Of this, USD 4.7m (ZAR 42.9m) 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.

**Eshowe farms**, acquired in January 2014, are located in Eshowe 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.

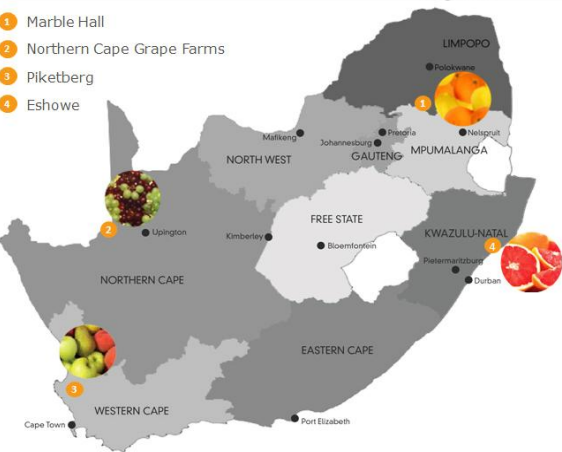
**Piketberg** is a consolidation of three deciduous and stone fruit farms in the Western Cape province acquired in November 2011.

**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.

### Deals done in South Africa:

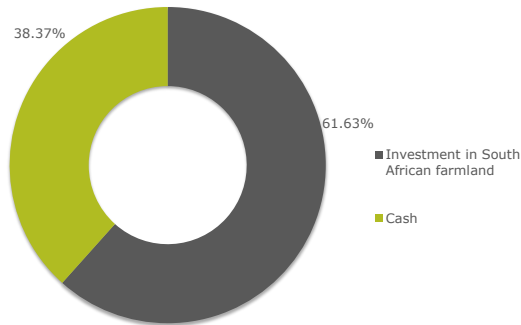
- 1 Marble Hall
- 2 Northern Cape Grape Farms
- 3 Piketberg
- 4 Eshowe



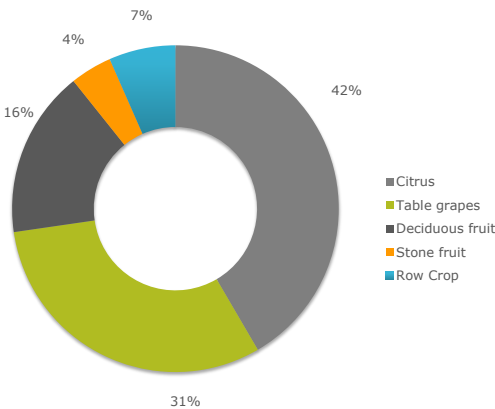
### Country exposures



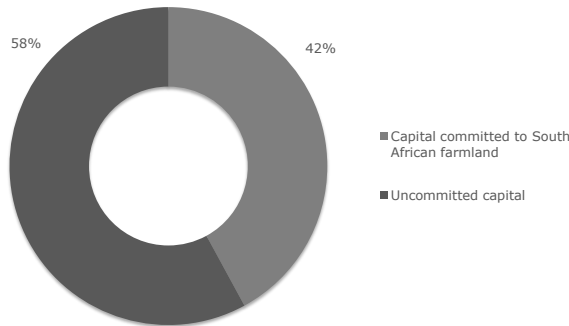
### Asset allocations



### Crop allocations



### Capital committed



# Old Mutual African Agricultural Fund (Luxembourg) - SICAV

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## 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>Good summer rains continued throughout the growing season. This presented some challenges, particularly with regard to pest management. In a wet season spraying opportunities are restricted and heavy rain may wash off pesticides. In spite of this the farm managed to keep the crop pest free.</p> <p>There was an incidence of hail, but the impact of this was small. If the current favourable growing conditions persist, the coming harvest will be comparable to that of the past season. These farms remain unaffected by any labour action.</p>	<p>This season was particularly challenging for the operator due to exceptionally late frost in the region. As a result, the final crop was 30% below the initial estimate, across all three production units, with Onderstepoort being the worst affected. Generally, the farms are in good shape and progress is evident at each visit. This is notable in particular at Onderstepoort where the new management team continues to add value. Some of the vines that had been converted to the roots of the original top grafted material (this being the fruit bearing portion of the vine and done by raising the soil level to above the graft union) by the previous owner are regressing to below average production on Onderstepoort.</p>	<p>The stone fruit crop has been above average in yield, with good prices being achieved. Early indications are that the yield on pomme fruit will be above average for this season. With the harvest about 50% completed most of the supply programmes are being met, with good quality being the norm.</p>	<p>This property was only taken over in this quarter and we are expecting an average citrus crop from the farm. The past season was particularly challenging for grapefruit and the farm has decided to eliminate the small fruit from packing and sending them to a juice factory instead. Drainage is one of the biggest challenges and with the good summer rains, the farm has had a problem trying to keep the excess water out of the fields. This is one of the focus development areas which should give immediate reward when rectified.</p>
Expansion update	<p>No expansion has occurred in the quarter, but we anticipate that all expansion programmes will be completed during 2014.</p>	<p>Vineyard sanitation was again a challenge across all production units, with grass growing as fast as the vines. This was compounded by the delays in picking which resulted in all available labour being utilised for harvesting. The situation was addressed with the operator and, following this, the farms managed to rectify the situation within a three week period.</p> <p>The growth of the plantings on Nuweland is progressing well. At Oranjestroom all vineyards are achieving the desired growth. The high silt content fields have also recovered well and the vines are now being trained onto the trellis structure. The proposed remedial actions across all fields have had their desired impact. Onderstepoort is looking particularly good with all the replantings having taken place.</p>	<p>The Operator has been focusing on completing the land preparation for the new citrus development. They have managed to get all earthworks completed before the advent of the winter rains. This was important as they needed to have a cover crop established before the rain arrived to prevent any erosion from taking place. The infeed to the packhouse has also been completed, just in time for the new season and we can already see an increase in efficiency. Further the old redundant buildings have been demolished and the rubble used to fill a pit on the farm. Two hostels have been completed for the new season which can accommodate 80 seasonal workers.</p>	<p>Most of the expansion work has been focused on getting the final plan presented for approval by the Investment Committee. In the current citrus production environment the Operator wanted to reduce the citrus replanting plan and rather plant macadamia nuts in this area. The Operator is already one of the largest producers in southern Africa and the Eshowe area will be a welcome addition to the existing plantings in Zimbabwe. To date we have focused on some of the packhouse infeed improvements and the juicing bulk bin to get these completed in time for the new season.</p>
Site visits during the quarter	27 February 2014	7 March 2014	9, 27, 29 January 2014	No site visits during the quarter.

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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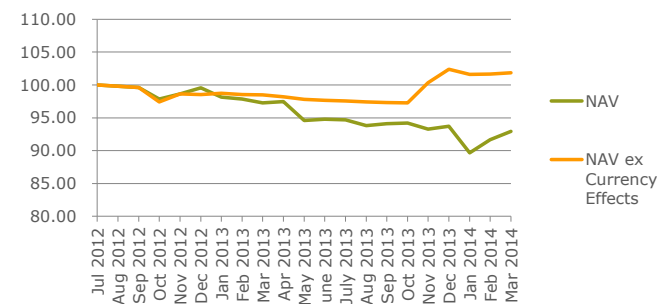
## Fund performance

The ZAR currency stabilised during the quarter, the strength in February and March offset most of weakness that occurred in January. There have been a number of developments that have resulted in the positive returns during the quarter.

The lease fee income net of costs as well as the revaluation of one of the farms in the SA fund contributed to the positive returns. The Eshowe Citrus farms are operational and the Fund is receiving lease fee income from the operator which added to the performance enhancement.

The Fund will also be providing working capital finance to an agricultural entity in April for an amount USD 1.4m over a 12 month period. There is also diminished cash drag in the Fund after the Fund sponsor redeemed part of its capital towards the end 2013. Both measures are expected to improve the Fund performance going into 2014.

### Performance (historical NAV)



## SA fund performance

The Fund has very short history; therefore an extract of the daily time weighted returns provided by the SA fund are shown on the right. The SA fund delivered a return of 0.25% this past quarter to 31 March 2014 and 6.43% over the past year.

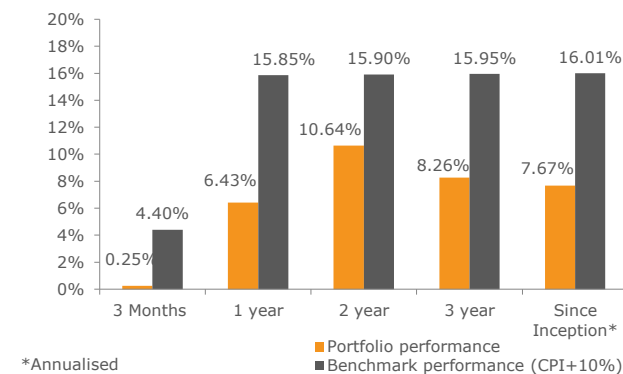
The investment performance of the SA fund reflects 7.67% per annum for the period since inception.

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 varied across the different farms held in the portfolio. Marble Hall farms experienced a small capital gain from the revaluations performed by the independent valuer. This was largely offset by the audit adjustments such as deferred tax liabilities from the 2013 period that were included during the quarter under review and particularly the Northern Cape Grape Farms where there was a fair value impairment on certain assets.

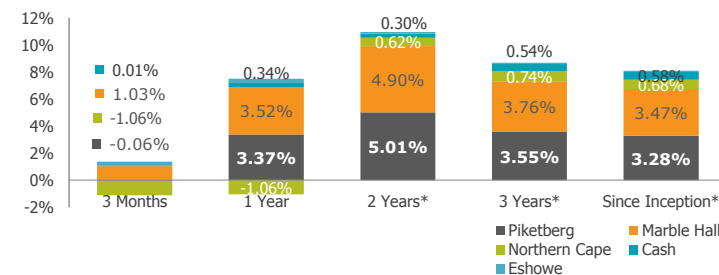
The performance calculation is based on the daily time weighted returns methodology.

### 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

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## 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
	As at March 2014:	63	79	126	83	351
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
	As at March 2014:	63	0	49	0	112
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0	0
	As at March 2014:	63	0	49	0	112
Employees receiving adult education	At take-on:	0	0	0	9	9
	As at March 2014:	34	32	3	9	78
Employees receiving management training	At take-on:	0	0	0	3	3
	As at March 2014:	0	8	0	3	11

The table above tracks the social impact initiatives underway at the SA fund's investments

The SA fund took transfer of the Eshowe farm in January 2014, therefore the Fund's initiatives are still in the assessment stages. Reporting will be more meaningful once these have been implemented during the course of the next quarter. However, the farm is one of the foremost in its region in terms of the implementation of ESG programmes in general. The fund's programmes are continuing on the existing farms as expected, and in accordance with seasonal fluctuations.

### \*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.

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 table on the right depicts the seasons for the major crops currently produced on each of the SA fund's farms.

		Marble Hall											
Season		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Navels													
Valencias													

		Northern Cape Grape Farms											
Season		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
White seedless grapes													
Black seedless & white seeded grapes													
Red seedless grapes													

		Piketberg											
Season		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Apples													
Pears													
Peaches & Nectarines													

		Eshowe											
Season		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Grapefruit													
Lemons													

# 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

LU0796025822  
LU0852744571

### 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

Smital Rambhai  
3rd Floor, Great Westerford, 240 Main Road,  
Rondebosch, 7700  
Republic of South Africa  
Tel + 27 21 659 5300  
Fax + 27 21 659 5337 www.futuregrowth.co.za

### UFF Agri Asset Management (Mauritius)

Duncan Vink, CFA  
30 Hudson Street,  
Cape Town, 8001  
Republic of South Africa  
Tel + 27 21 418 7318  
Fax + 27 21 421 0510  
duncan.vink@uff.co.za www.uff.co.za

## 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.

P.O. Box 878, Cape Town, 8000  
Tel: +27 21 509 5022 Fax: +27 21 509 4663  
[www.omigsa.com](http://www.omigsa.com)

Mutualpark,  
Jan Smuts Drive, Pinelands,  
7405 South Africa



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