Old Mutual African Agricultural Fund
(Luxembourg) - Société d'Investissement à Capital Variable (SICAV)
Annual Report

31 December 2015

OLD MUTUAL
INVESTMENT GROUP

"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 Fund has the ability to invest in the rest of Africa and is also allowed to provide working capital finance to operators. Futuregrowth Asset Management is the Fund Manager and UFF Agri Asset Management is the Fund Advisor of the Fund. The SA fund holds four farm investments comprising a total area of 5 868 hectares (ha). This report deals primarily with the SA fund investments as there are currently no farm investments in the rest of Africa."

Contents

The simplified Fund model is to invest in farmland, lease the land to an operator, extend and enhance the value of the farm during the Fund's term, and realise an attractive return on exit ten to twelve years later.

Incorporated in the mandate as well as the operator contracts, is a requirement to invest a prescribed amount into the provision of basic education and healthcare to the permanent workers on the Fund's farms. The combination of these fundamental aspects has been found to have a catalytic effect in indirectly benefitting the families and communities in poverty-stricken, under-resourced rural areas. Growing the permanent workforce has an exponential impact – as does the human dignity gained from decent housing and facilities.

This annual report provides context and an overview of the Fund's operations and investments. Details of the environmental, social and governance (ESG) aspects of the Fund are covered in the accompanying **2015 Impact Report**.

Introduction

Sustainable agricultural investment: making a difference and managing resources

Paul Rackstraw, Futuregrowth's Managing Director

The SA fund continues to deliver on its promise of creating large scale sustainable farms. Capital is invested in the farms to boost production and sustainable farming methods are employed to ensure that all our farms increase production in a responsible way, while contributing to rural economic development and empowerment.

The four farms contribute to the regions in which they operate by providing 338 permanent jobs and up to 2 360 seasonal jobs. Over the year, 239 workers received prepaid healthcare, 86 received adult education and 81 management training. The fund has also invested in housing with accommodation for 480 seasonal workers created and 145 farm workers' houses upgraded since the start of the fund.

The SA fund's strategy was to invest in large scale farms that have capacity for significant expansion with secure water rights. The aim of this expansion is to ensure maximum production towards the end of the fund's investment cycle. Production on the farms at inception was about 42 000 tons, with an ultimate anticipated increase in production once all expansions are fully productive to about 57 000 tons.

One of the key criteria when purchasing farms is a secure water supply. South Africa is currently experiencing one of its worst droughts in living memory. This drought is having a huge impact on the economy and threatening the livelihood of many farmers and farmworkers as well as food security for the country. We have all seen the significant cost increases in basic foodstuffs, which unfortunately hits the poor the most.

Recognising that water is a scarce and precious resource, the effective use of water was always a key strategic initiative with every farm the fund purchased. These initiatives include removing invasive alien vegetation, upgrading and sealing existing dams, and covering vineyards with netting which saves 20% to 60% on irrigation. The farms we purchase are also spread geographically which reduces the risk on one specific area. Although many farmers who purely rely on rainfall have been badly affected in the regions we operate, our farms have been less affected with our secure water rights and effective water management programmes.

The Fund Advisors continually look worldwide for the latest technology to even better manage water as a scarce resource. The system that is currently being reviewed manages the irrigation supply per block. It monitors the intake of the trees and adjusts the irrigation daily for climatic conditions (e.g. temperature) to ensure that the trees get the exact amount of water needed on a daily basis. This method will ensure more productive trees and a significant saving in water consumed.

Ensuring that our farms are maintained in a good condition, particularly throughout periods of stress, will contribute to long-term agricultural sustainability and the social and economic benefits that flow from this.

How we add value

Duncan Vink, UFF's Managing Director

The Fund is mandated to deliver solid financial returns together with positive social and environmental impact. It is a local fund, using primarily local capital to invest in upgrading farmland and increasing production in rural areas, thereby creating sustainable employment in these regions. Communities are never displaced and only land that has already been earmarked for agriculture is considered. Futuregrowth is the Fund Manager, with UFF Agri Asset Managers (UFF) the dedicated Fund Advisor.

UFF maintains a close relationship with the operators on its investment farms, providing advice related to strategy and daily operations, working in close cooperation with related third parties and institutions, and identifying value enhancing opportunities. These aspects are essential to the achievement of the Fund's financial and social objectives, and are embedded in its contractual agreements, supported by regular monitoring, farm visits and reportbacks to investors.

Our well developed marketing and distribution networks and our expertise in both local and international agricultural best practice allows our farms to effectively compete as world-class suppliers, and to sell their produce for optimal returns.

The Fund's state-of-the-art financial and operational management and control system (used to analyse and monitor the performance of the agricultural assets on a continuous basis) makes it possible to detect underperformance at an early stage. In conjunction with the UFF agronomist, who conducts an in-depth examination of the soil, water, plantings, crop care and management information systems used, efficiencies in farming methods are implemented and arable land is put to the most productive use. Expansion opportunities are carefully planned and financed by the Fund, and closely monitored for the duration of the investment. With production on our farms expected to double by the end of the Fund term, the Fund's involvement considerably enhances the performance and long-term sustainability of the farm, compared to the situation prior to our investment. Without the investment and involvement of the Fund these developments, together with our social initiatives, would not have taken place.

Some of the gains made by the Fund are illustrated in the story of our Marble Hall farm that follows below. As previously stated, environmental and social aspects are covered in detail in the accompanying 2015 Annual Impact Report.

Marble Hall: maximising farmland and farmworker potential

The citrus trees on our Marble Hall farm in the Limpopo province of South Africa are reportedly amongst the best looking in the local industry. Under the guidance of the Fund agronomist, Andre Botha, optimal fertilisation, irrigation and pruning have had a dramatic effect on the health of the orchards since it was acquired in December 2010. The farm is a consolidation of three farm properties and supplies both the local and international markets. Remarkably, production on the farm more than doubled by the end of the third year of Fund ownership.

At the outset, this farm was identified as having good development potential. To date, 190 hectares of new orchards have been planted and 50 hectares of aging orchards replanted through the Fund's expansion programme. Newly planted citrus trees reach their full fruit bearing stage in eight to nine years, meaning that the new plantings will be in peak condition at the time of the Fund's planned exit, when the ultimate returns on this investment will be realised. The Fund's expansions and other improvements will also boost job security and job creation in the area, setting up a meaningful legacy. By the end of 2015, permanent jobs on the farm had increased by 128% and seasonal jobs by more than 130% since acquisition.

The Marble Hall Sekhukune district has high illiteracy and an official unemployment level of 50%. Most of the agricultural activity in the area is subsistence farming, with only 30% of the district's land used for commercial farming. Only 6% of the local population have access to a flush toilet. This context amplifies the significance of the Fund's human impact.

In addition to providing economies of scale, operator guidance, marketing expertise and capital for expansion, the Fund invests in the education, healthcare and housing of the workers on the farm:

- Existing worker housing and ablutions have been upgraded and new housing has been built to accommodate an additional 120 seasonal workers. The new seasonal housing provides each worker with their own room and cooking facilities – a level of dignity not usually accorded to this group.
- All permanent workers have been enrolled on the OCSACare pre-paid healthcare programme, giving them unlimited doctor visits, as well

as optometry, dentistry and prescribed medicine benefits. This is unprecedented in the agricultural sector.

- A new training facility has been built and workers have received extensive training, funded by both the Fund and the farm operator, in order to improve efficiencies and enable the workers to realise more of their individual potential. Courses cover literacy, numeracy, computers, citrus production management, team leadership, irrigation, carbon credit calculation, permaculture, recycling, housing maintenance, worker rights and wellbeing, et al. One of the workers on the literacy training qualified as an AET facilitator and started running classes on the farm. Some of the workers on the computer training have started assisting in the office. Certain workers have been identified for farm management training, with the aim of being able to take over aspects of the operations by the end of the Fund term.

These innovations have been noticed in the surrounding area, and enabled the farm to attract a high calibre of worker. Some neighbouring farmers have enquired about the healthcare programme and superior housing, with the intention of implementing it with their workers. The farm is also collaborating with local initiatives supporting Aids relief and occupational health services for the broader community, and is participating in the district's infrastructure development forum.

In order to remain competitive, the farm needs to produce quality fruit and maintain a productive workforce. On both counts, this farm exemplifies the impact of the Fund in maximising the use of the land, contributing to food sustainability and the local economy, and uplifting the farmworkers and their community.

2015 Market review

The South African agriculture industry in 2015 has been dominated by primarily negative and largely unforeseen macro events in the form of the continued devaluation of the Rand particularly in the last quarter and the consequences of the drought which has severely impacted five regions within the country. The industry however is not a homogenous entity and whilst crops and livestock farmers have suffered, the outlook for table grapes and citrus harvests is positive, lower oil prices have helped to marginally offset increases in imported goods and the weakening currency has helped underpin the export trade. The extreme heat has negatively impacted fruit size and volumes in some areas but when offset against the weakening currency margins should not be negatively impacted.

The impact of the drought has dominated headlines this year. The drought, attributed to the extreme weather system El Nino, is according to the South African Weather Service, the worst to hit the country since 1982 and resulted in five separate provinces, North West, KwaZulu-Natal, Free State, Limpopo and Mpumalanga being declared disaster areas during the year.

The effects of the drought have been particularly severe on summer crops with a 31% decrease predicted in the 2015 annual production of maize. Extreme heat and dry conditions in corn-producing regions could ruin as much as 25% of South Africa's forecast output for the year and the government has estimated as much as 6 million tons may need to be imported.

Looking ahead whilst a 90% chance of normal or above average rainfall is currently predicted during the 2016/17 rainfall season in South Africa the effects of the 2015 drought will certainly be felt in higher food prices in 2016.

The impact of the weakening Rand has had benefits for the export industry and cost implications as higher import prices start to impact on farmers' production costs. Turning to a review of individual crop trends, South Africa's export volumes for nectarines, peaches and plums are expected to rise to above average levels in the 2015-16 season and overall are up 4% year on year as demand from the Middle East increases. Since 2008, South African fruit exporters have been heavily exposed to the European market but 2015 saw a continuance of the trend to develop new market opportunities and the opening of up of certain Middle Eastern markets is seen as an important development. The need for diversification has become increasingly relevant with ongoing EU concerns over citrus black spot (CBS) contamination and the continuance of economic pressures in Europe.

The Fund

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
July 17, 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 shares 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 shares
The redemption of shares is possible at the end of any month subject to 45 calendar days notice.

Valor	ISIN	Class
USD	LU0796025822	I-1
USD	LU0852744571	I-2

Denomination
The initial share 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

Social impact

The Fund is a SRI vehicle that facilitates agricultural development, farming infrastructure, social, environmental and economic development in Africa.

The investment model addresses agricultural initiatives that lead to:

- land development and conservation
- environmental reform
- employment
- healthcare
- community ownership
- housing
- education
- food security
- skills transfer

INVESTMENT FEATURES

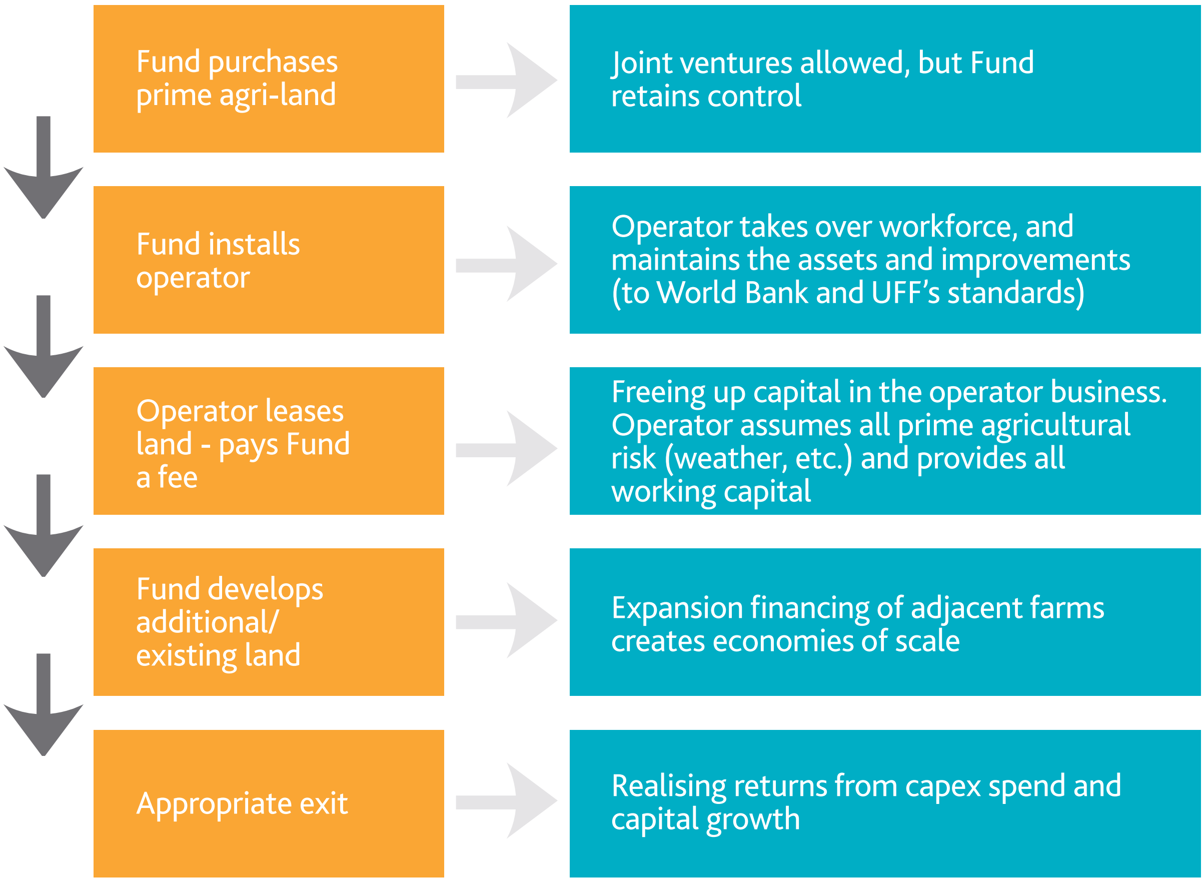
- Real asset underpin
- Long-term investment with current stable return component
- Low if not negative correlation to traditional asset classes
- Diversification
- High correlation with inflationary measures
- Inflation hedge / attractive risk-return profile
- Significant direct and indirect societal benefits (food security, employment and empowerment).

Fund model

The Fund's investments are in the actual farmland and infrastructure, which is leased to an approved operator to manage and run the farm. The farmland is developed and managed in partnership with these large-scale agricultural operators to further enhance its value. According to a planned expansion programme, the Fund invests capital into farms to develop additional arable land. This may include the acquisition of adjacent farmland.

The choice of assets is guided by increasing real value, realised by improving yield, efficiency and management.

Aside from the stable returns generated, the social impact is significant. The investment caters for up to 6% of its lease income (equaling 0.5% of the leasable value of the land) to be spent on healthcare and educational programmes for workers. From year two of each investment, motivated farm workers are identified and provided with the opportunity to receive training in farm management skills.

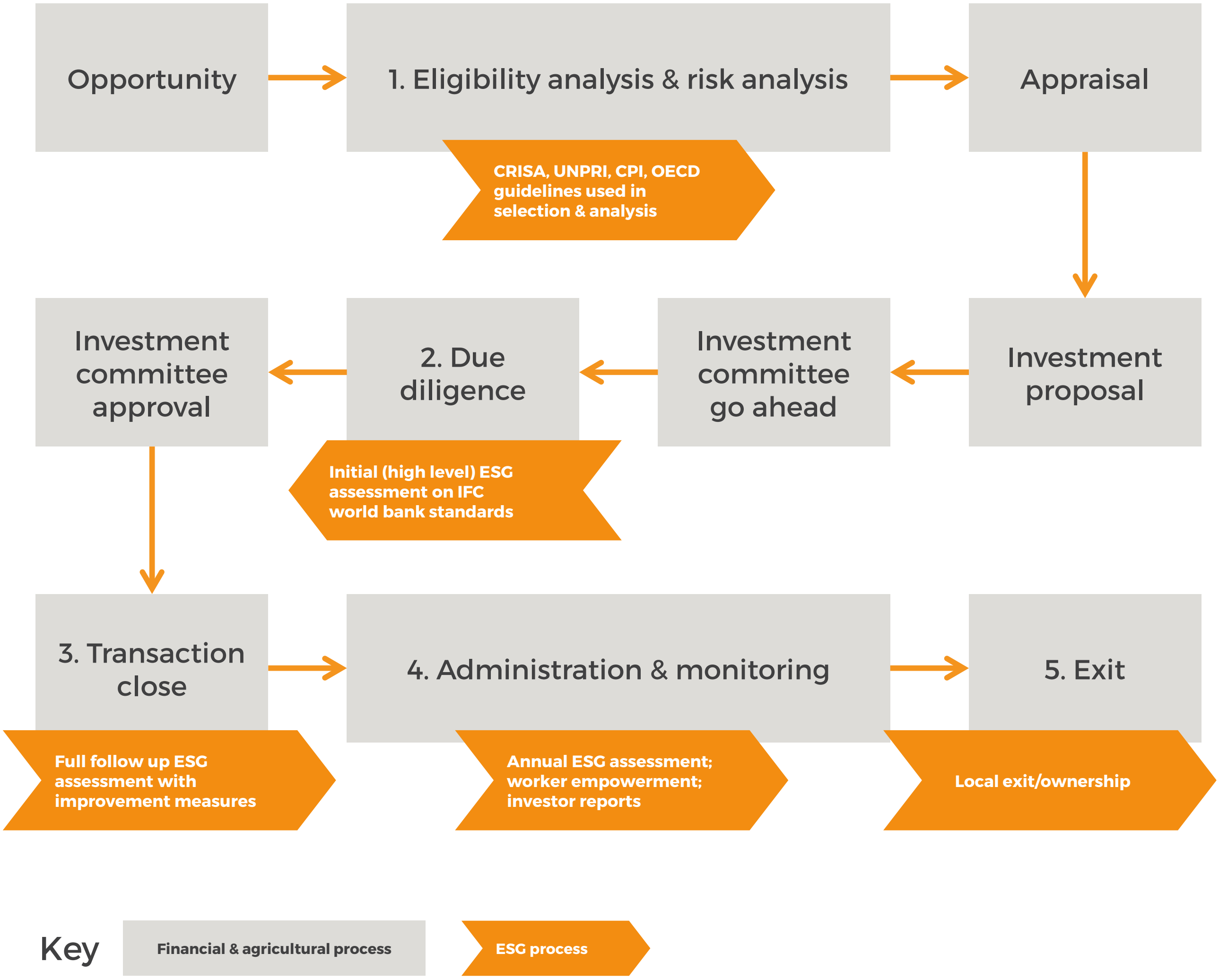


Farm selection criteria

- Both existing farms can be acquired and new farms can be established.
- Market factors drive the farm acquisition eligibility.
- Compelling climatic conditions for variety, crop type linked to market.
- Expansion financing of adjacent farms creating economies of scale.

Integrated investment process

ESG assessment, monitoring and management is an integral part of the investment process and life cycle of the Fund's investments, as illustrated below. In-depth detail on the various aspects of the ESG processes is provided in the Fund's 2015 Annual Impact Report.



Fund overview

As at 31 December 2015 the Old Mutual African Agricultural Fund (Luxembourg) SICAV ("The Fund") had fully deployed all of its committed capital into the SA fund, which is invested in South African farmland.

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

With these investments, the Fund is exposed to a variety of permanent crops.

- Eshowe, a consolidation of four citrus farms acquired in January 2014, is located in KwaZulu-Natal.
- Piketberg is a consolidation of three deciduous and stone fruit farms in the Western Cape, acquired in November 2011.
- Northern Cape Grape Farms is a consolidation of three table grape farms in the Northern Cape, acquired in August 2011.
- The Marble Hall investment is a consolidation of three citrus farms in Limpopo, acquired in December 2010.

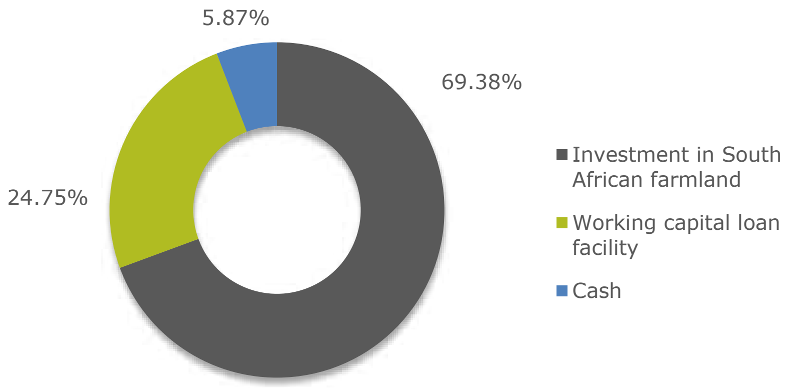
CURRENT PERMANENT CROPS

- Citrus: Oranges, Lemons, Grapefruit
- Table grapes: White seedless, Black seedless, White seeded, Red seeded grapes
- Deciduous fruit: Apples, Pears
- Stone fruit: Peaches, Nectarines

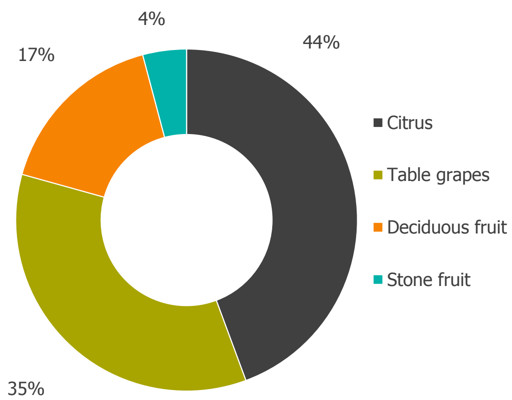
Starting shortly: Bananas, Macadamias

Country exposures
December 2015

Asset allocations
December 2015



Crop allocations
December 2015

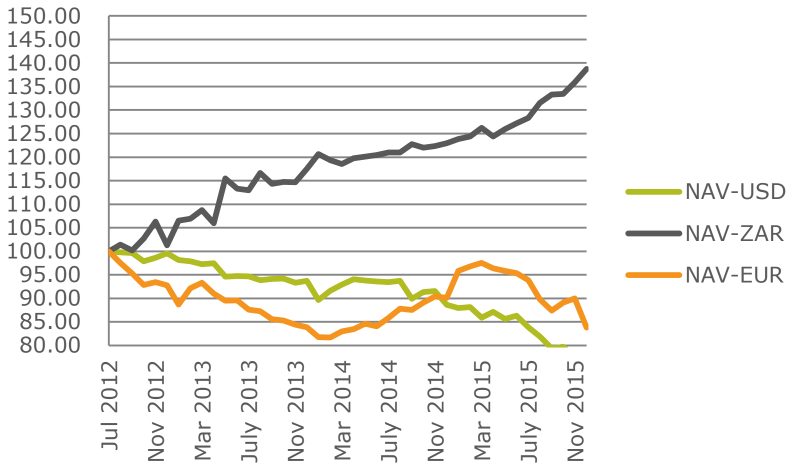


Fund performance

The components that drive returns are as follows:

1) Capital appreciation on the underlying investment properties over the long term.
2) The CPI-linked lease fee: the lease is a fixed percentage of the purchase price of the land, escalating annually at CPI.
3) 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.
4) Short term working capital finance to operators will add income returns to the portfolio on excess cash that is available in the short term.
5) The investment returns may be affected by exchange rate movements.

Performance (historical NAV)
December 2015



The ZAR currency weakened by 25.4% for the 12 months ending December 2015, which had a considerable impact on the NAV as the Fund is based in US Dollars. The weakening of the ZAR currency will, however, contribute to the profitability of the Fund's exporting farms in the immediate future, and should translate to increased farm values in the medium to longer term when the rolling annual valuations take place.

During the year the lease fee income net of costs contributed positively to the performance. The effect of these positive contributions during the year was marred by the ZAR currency weakness. The underlying investment into the SA fund has been performing satisfactorily.

The working capital loan facility to SMT Agri Finance was rolled from the prior year for another one year period, which helped optimise the use of the excess cash in the Fund.

SA sub-fund performance

The SA fund delivered a total return of 6.57% over the past year and 7.09% pa since inception.

It must be noted that investments in the fund are long-term in nature and fund's mandate is to deliver a maximum return on exit, 10 to 12 years from inception. This will primarily be achieved through increasing the value of the farms over the fund term, with peak value reached at the planned exit (see "The Components that Drive Returns" box below). These types of investments tend to be capital intensive in the early years while new orchards and vineyards are developed and old ones replaced. Therefore return expectations during the first few years tend to be lower, but as time progresses the returns follow a J-curve. 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. It should also be noted that the valuations of expansions are done at cost and only marked-to-market once the orchards or vineyards come into production.

The 6.57% return consisted of 6.21% lease income, 0.6 % cash return and -0.24 % capital loss on equity. The negative capital gains on equity were due to operational costs in the underlying SPVs, on which income will be earned once the expansion hectares reach full production.

THE COMPONENTS THAT DRIVE RETURNS

- Potential capital appreciation over the life of the Fund 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. Note: expansion hectares are carried at cost and not written up until fully productive.
- Social returns due to enhanced worker healthcare, housing and sanitation, job creation and skills transfer ensure that farmland quality is maintained and contribute to farm sustainability and community empowerment.

The total returns for the year can be further broken down as per the table below:

	LEASE INCOME AND CASH RETURNS	CAPITAL GAINS ON EQUITY*	TOTAL
Piketberg	1.25	-0.14	1.11
Northern Cape Grape Farms	1.82	-0.41	1.40
Marble Hall	2.17	-0.07	2.10
Eshowe Citrus Farm	0.98	0.38	1.36
Cash	0.6	_	0.60
Total	6.81	-0.24	6.57

* These figures don't include any capital revaluation for 2015.

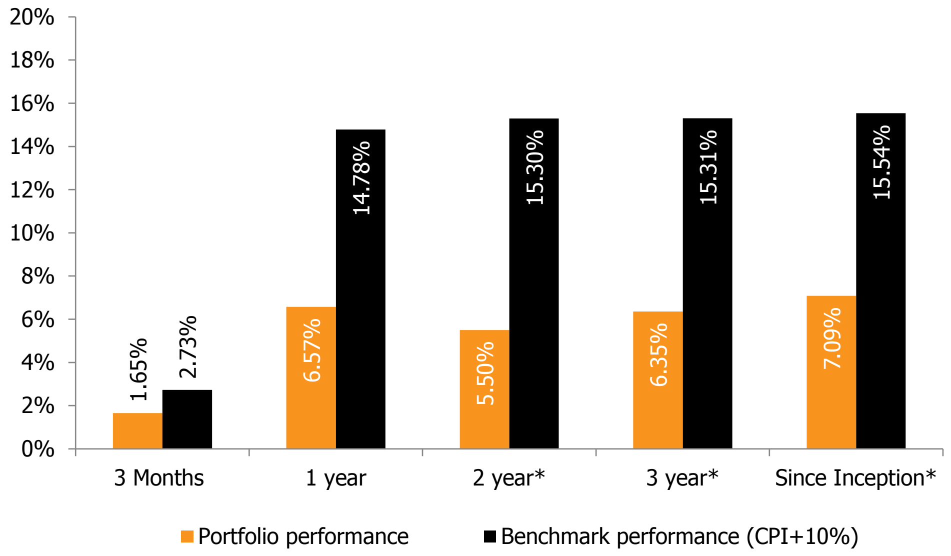
Independent valuations on all the farms were conducted during the 4th quarter of 2015, but were not approved in time for the Annual Report performance calculations. However, any revaluations on the investments will be updated in the Annual Financial Statements, which are due to be released during the 3rd week of April 2016. A side note on the revaluations will be provided to investors once they have been approved by the Agri-Fund Asset Valuation Committee and signed off in the Annual Financial Statements.

The lease fee income returns are diluted to some extent due to the capital investment into the expansion projects on the farms. It must be noted that lease fees can only be charged on new orchards or vineyards once they come into production. Therefore capital invested in new orchards and vineyards will not generate income in the first few years.

The performance calculation is based on a time weighted methodology.

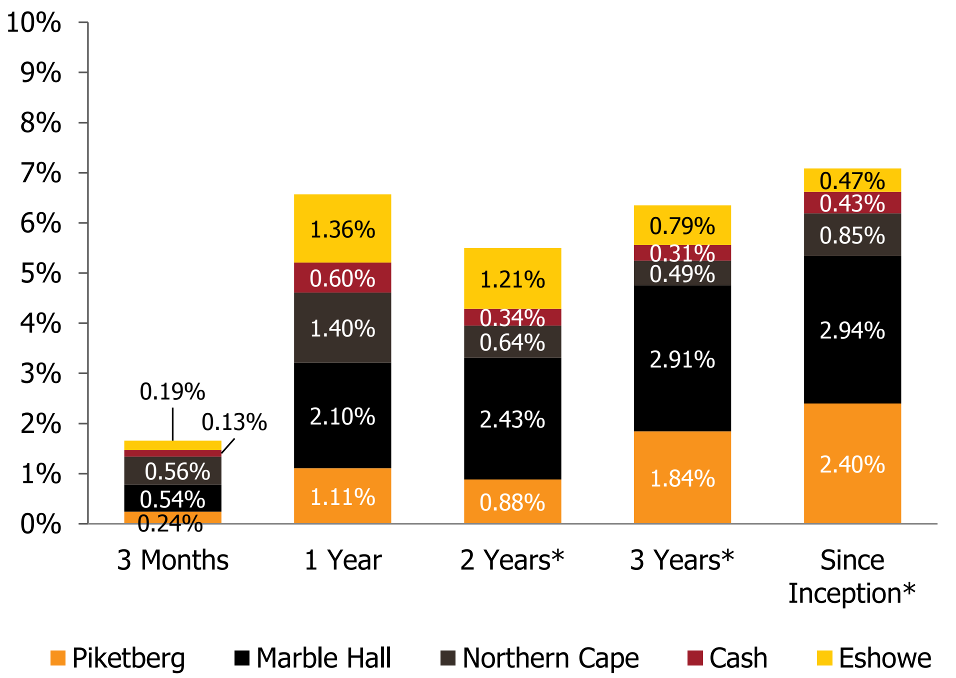
(Note: The information stated relates to the period under review and is not indicative of future returns)

SA fund performance
December 2015



*Annualised

SA farm performance
December 2015



*Annualised

Fund Manager's report

Smital Rambhai, Product Manager

We believe that the components that drive the Fund's returns are capable, over time, of not only meeting but exceeding the target 12% USD benchmark:

- The fundamental basis of the Fund's return is potential capital appreciation on the underlying investment properties. Farmland assets both worldwide and within South Africa historically outperform inflation in the long term through all economic cycles by at least 4.5%, according to Human Sciences Research Council/STATSA figures (1995-2008).

- The second driver of the Fund's return is the CPI-linked lease fee. When deals are concluded, the purchase of farms is indivisibly tied to the appointment of an operator who leases the farm for a period of 10 years. The lease is a fixed percentage of the purchase price of the land, escalating annually at CPI. This component provides an essential and very strong check back to the purchase price. If the purchase price is in any way over true value, the Fund will not find an operator who is willing to commit to the concomitant lease for the required 10 year period.

- Thirdly, and most importantly, the expansion potential of the investments provides a strong performance return component in itself. Each deal is required to have sufficient growth and capacity/expansion potential. This is driven by the quality of the farm infrastructure which enables the Fund to develop both existing arable land, as well as to purchase additional land, deploying capital to maximise the potential available. This is why the due diligence process prior to purchase necessitates intense work on soil quality, water rights and infrastructure assessment, together with a key understanding of market dynamics. This expansion potential not only gives an increased lease yield as soon as the new land reaches production, but the capital value is also enhanced on revaluation and exit.

- Finally, social returns are an integral component of the Fund's performance. Improvements to worker healthcare, housing and sanitation, job creation (driven by the expansion mentioned above) and skills transfer ensure that the quality of the farmland is maintained. This contributes to the long-term sustainability of the operations and economic empowerment of the surrounding communities. These factors add significant value to the farmland asset over time and are expected to result in positive returns at the end of the Fund term.

Initially, Fund investments are valued at the cost of acquisition, plus any immediate capital investment. Thereafter revaluations are conducted annually, barring any significant market events that might trigger an earlier revaluation.

Revaluations of investments are conducted by a qualified independent valuator who performs an appropriate market-based valuation to derive the Fair Value of the investment - Fair Value being the amount at which the asset can be bought or sold, in a current market-based transaction, between two willing parties.

The independent valuator utilises a number of valuation methodologies, namely:

a) The Comparable Sales Approach,
b) The Depreciated Replacement Valuation Approach,
c) The Hybrid Valuation Approach, or, where the above methodologies are not deemed appropriate,
d) Income Based Valuation or Income Capitalisation Approach.

The stage of development of the investment is taken into account with reference to the capitalisation of biological assets and expansion capital expenditure.

Our investments are groundbreaking in the context of the South African asset management industry and there are no established industry standards for farmland and associated assets. Therefore our valuation policy has required considerable development in response to divergent views amongst independent valuators regarding the value of undeveloped land, biological assets, water rights and improvements.

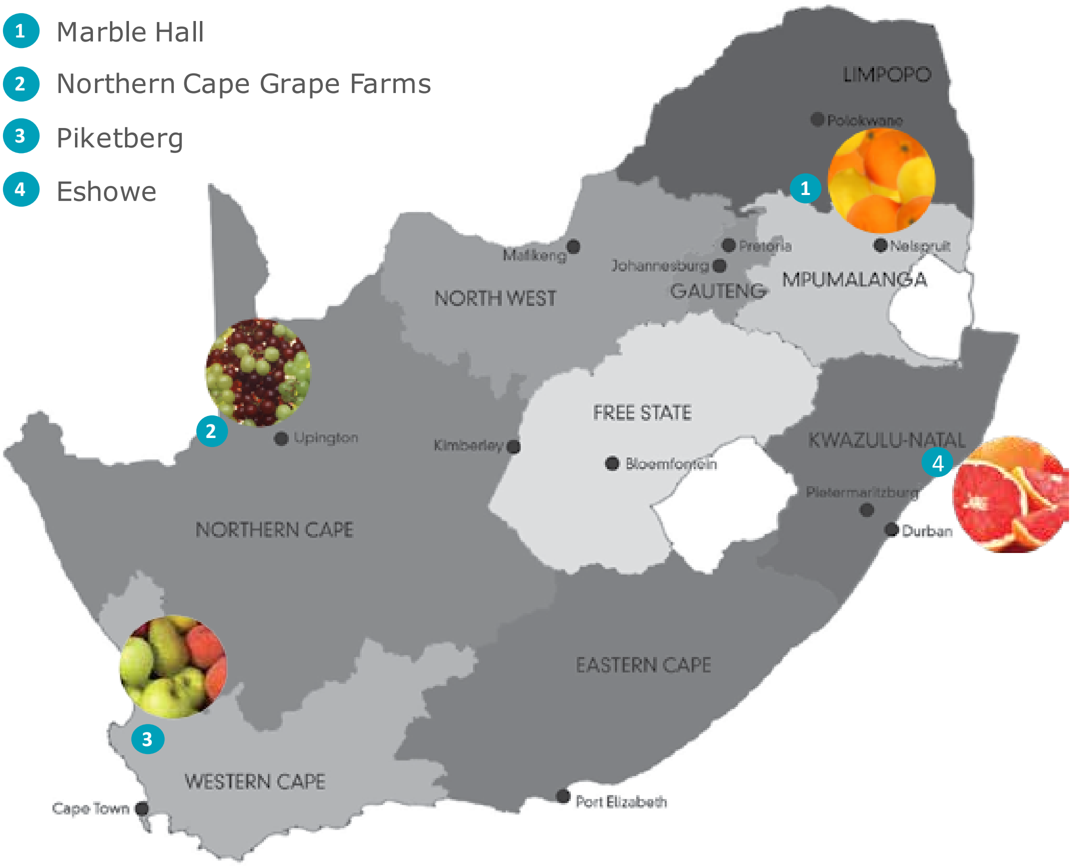
Our Investments

Deal overview

The SA fund holds four investments as shown on the map and in the table below: 1) Marble Hall, 2) Northern Cape Grape Farms, 3) Piketberg and 4) Eshowe - comprising a total area of 5 868 hectares (ha).

Deals done in South Africa

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



Deal summary

FARM	ACQUISITION DATE	REGION	PRIMARY CROP	TOTAL FARM SIZE	OPERATOR
Marble Hall	December 2010	Limpopo	Citrus	936 hectares	JV between farmer Nelus Potgieter and SAFE Commercial
Northern Cape Grape Farms	August 2011	Northern Cape	Table grapes	3 183 hectares	SAFE Commercial
Piketberg	November 2011	Western Cape	Deciduous and stone fruit	1 035 hectares	IFS (International Fruit Services)
Eshowe	January 2014	KwaZulu Natal	Citrus and bananas (started in late 2015)	714 hectares	Afrifresh Group

Approved operators

Operators appointed by the Fund are required to take over the existing workforce and provide an adequate working environment on the farm. They agree to maintain the asset and its improvements, and keep it in good condition, subject to an annual audit by UFF. They have to comply with World Bank environmental, social and safety standards, and with UFF's administration and IT monitoring system, maintain monthly reporting flows. They agree to enable UFF to comply with required information feedback and also ensure community involvement.

OPERATOR CRITERIA FOR SELECTION

- Solid financial standing and reputable management;
- Turnover >USD25m per annum;
- Proven access to market;
- Established track record; generally >7 years;
- A good industry reputation;
- Commitment to skills transfer and economic empowerment; and
- The operator must co-invest in working capital requirements (at a risk position).

Three operators have been approved by the Fund to date:

Afrifresh Group (Pty) Ltd (Afrifresh)
The Afrifresh Group was established in 1999 after the merger of Afrifresh and Sunpride. The group headquarters are in Cape Town with a network of distribution offices in Europe, Asia and Latin America. Since the merger, the group has turned into one of the largest vertically integrated South African exporters of citrus fruit and grapes. It has also expanded its agribusiness operations in the wine business, as well as banana, raisin and macadamia production. Afrifresh's main markets are in the EU, UK, Russia, Middle East and Far East. The core business of the company is the production and export of fresh fruits (primarily citrus and grapes) with production units in South Africa and Zimbabwe. Afrifresh manages all the logistical handling, distribution and marketing operations related to the export of fruit.

Afrifresh is passionate about training, from offering bursaries to the previously disadvantaged to successfully producing and implementing AET and ethical training and learnership programmes for its workers.

International Fruit Services (IFS)
IFS is a global shipping and logistics facilitator, founded in 1994. The company uses both conventional and containerised shipping to provide the most effective and economic means for moving produce around the world. It enables independent growers, service providers and retailers to achieve the direct and sustainable supply of fruit from the farm to supermarkets worldwide.

IFS members are forward thinking farmers whose product meets the requirements of the retail sector for high and consistent standards. They are strategically spread throughout southern Africa's fruit regions and produce a wide range of fruit varieties. Producers focus on good farming practices and adherence to ethical and social standards. The transactions with IFS will result in Greenery and Cobana Fruchtring partnering in the operating of the farms. Both companies are large scale supermarket service providers with a decade long track record.

South African Fruit Exporters (SAFE) | Holding Company
SAFE Commercial | Logistics and operational management

SAFE was established in 1997 and has grown into one of the largest exporters of fresh fruit from southern Africa. Originally, it only bought fruit from local farmers and sold this to importers in the Netherlands. However, this has greatly changed over the years. The main activities of the company are now confined to the logistical handling and the export of fresh fruit on behalf of the producers and overseas clients.

Today, SAFE manages its own production, takes care of the packing, cold storage, transport and all other activities related to the export chain. SAFE has a global customer network and plays an important role in the total fruit export from South Africa, Zimbabwe and Namibia.

Deal one: Marble Hall

FAST FACTS

Acquisition date	December 2010	Operator companies	Fanchon (Pty) Ltd / Somerhoek (Pty) Ltd
Investment period	10 years	Property SPV	Royal Dawn Farming (Pty) Ltd
Primary crop	Citrus	Individual farm names	Somerhoek Loskop Elandsdrift
Region	Limpopo, bordering Mpumalanga	Workforce	Permanent: 57 Seasonal: 450 at peak
Total farm size	936 ha (including natural lands)	Potential job creation	300 new jobs (permanent & seasonal)
Primary production and infrastructure area combined	714 ha (222 ha natural lands)		
Operator	JV between farmer Nelus Potgieter and SAFE Commercial		

The first of the SA fund's investments, in Marble Hall in the province of Limpopo, is a consolidation of three citrus farms totalling 936 ha in area. At the outset of this acquisition, Marble Hall was identified as having good expansion potential and 190 ha of new orchards have been planted through the fund's expansion programme to date. Newly planted trees start bearing fruit after three years and reach their peak in eight to nine years.

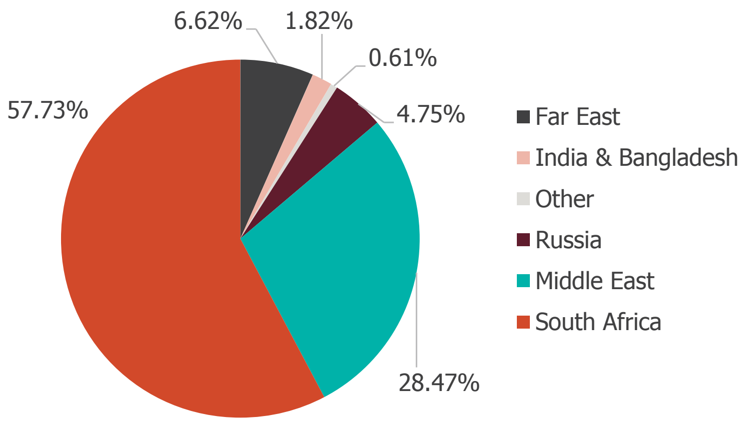
The impact on the prospective workforce is significant. With 1.6 labourers required per hectare of citrus farming in full season, this means that 300 new jobs may potentially be created.

The investment provides a solid footing in citrus farming that supplies both the local and international markets.

Markets

In 2015, the bulk of Marble Hall's production (58%) went to the local market with 42% exported to other countries, primarily the Middle East. Once again, the high local share is as a result of some hail damage (where affected fruit was sent locally for juicing). The newly planted young orchards are also not yet in peak production. This ratio should change as the new trees increase their yield, with exports increasing proportionally.

Marble Hall Markets



Marble Hall farm performance[1]

Four farm visits took place during the year. During these visits, the agronomist typically examines the overall condition of the trees and soil in the orchards, checks on the status of all required production inputs (such as pest control, pruning, fertilisation and irrigation), engages with farm management and reviews farm management systems. Expansion programmes are also monitored and updated.

The year was marked by extreme heat and a lack of rain in the Marble Hall region, and seasonal hail once again caused some damage to the fruit. In spite of this, the overall condition of the farm is

IMPACT OF DROUGHT ON CITRUS FRUIT DEVELOPMENT

The impact of moisture stress on citrus depends on the stage of the crop's growth cycle:

Bud induction happens early in the growing season during the cooler months and determines how many flowers (and ultimately volume of fruit) the tree will have. Water stress at this time tends to produce more flowers.
Cell division and fruit set occurs as the weather warms and flowers develop into fruit. During this time the trees need plenty of water otherwise more fruit than normal will drop.
Cell enlargement determines the final fruit size. The timing and amount of irrigation is critical at this stage as losses cannot be made up later.
During maturation/ripening the fruit flavour reaches its optimum level and the trees get ready to enter a dormant stage before starting the cycle again. Water stress has a minimal effect at this stage.

good. Although the drought has had a devastating impact for stock farmers who rely solely on rain, the impact on the Fund's irrigated farm has been minor in comparison, and the farm is a glowing beacon in the area.

The overall strategy on the farm is to prioritise the permanent citrus plantings over the farm's other short-term row crops. The planting of row crops was reduced, and the farm also purchased some additional water to use on the remaining crops and to make it through the season should any restrictions be imposed. The strain on the irrigation infrastructure due to the lack of rain meant that some of the orchards were under moisture stress during their critical crop setting period. This resulted in a large amount of fruit dropping; however, with a smaller crop being set, a better size of fruit is expected. The hot dry weather also meant minimal pest attacks, resulting in a very clean crop for the coming season. With reported hail damage to 20% of the crop, the loss in yield cannot be estimated at this stage as the crop is still in its development stage. Damaged fruit normally drops off the tree during the cell division stage (see "Impact of drought on citrus fruit development" box above). The hail that fell on the farm was small in size and is therefore not expected to have a major impact on the packout. A further assessment will be made in the first quarter of 2016.

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

Marble Hall expansion update

The farm continued with its expansion programme throughout the year and several projects were completed.

These included:

- sealing of all the farm dams;
- completion of the staff training centre;
- completion of the clinic (now awaiting
- Department of Health sign-off);
- construction of the new staff housing project (two 40 person hostels);
- replanting of 70 ha of old orchards with new Witkrans navel oranges; and
- replacement of the old centre pivot irrigation with new micro irrigation systems.

Deal two: Northern Cape Grape Farms

FAST FACTS

Acquisition date	August 2011	Operator company	Onderstepoort (Pty) Ltd
Investment period	10 years	Property SPV	Matlotlo Trading 27 (Pty) Ltd
Primary crop	Table grapes	Individual farm names	Onderstepoort Nuweland Oranjestroom
Region	Northern Cape	Workforce	Permanent: 71 Seasonal: 950 at peak
Total farm size	3 183 ha (including natural lands)	Potential job creation	465 new jobs (permanent & seasonal)
Primary production and infrastructure area combined	222 ha (2 961 ha natural lands)		
Operator	SAFE Commercial		

The Northern Cape Grape Farms investment is a consolidation of three farms in the table grape region of the Northern Cape Province covering a total area of 3 183 ha, 2 961 ha of which are natural veld. To date 93 ha of new vines have been planted through the SA fund's expansion programme and the replanting of 44 ha of existing vines has started. The new hectares will almost double the number of grape vines on the farm.

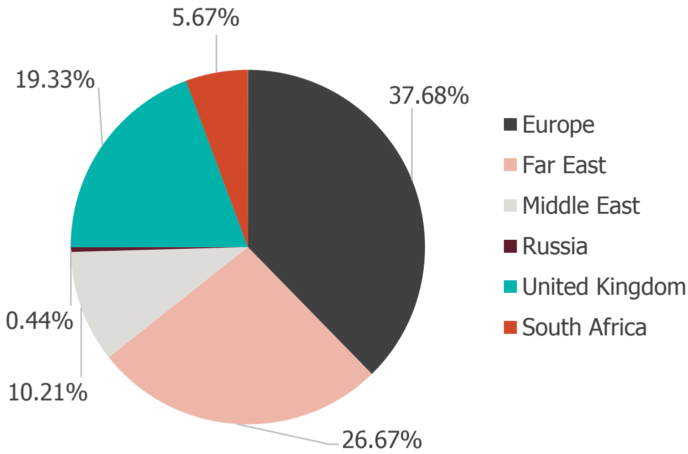
Newly planted vines become fully productive after three years. With five labourers required per hectare in full season, this means that 465 new jobs may potentially be created.

This investment provides a foothold in early season table grapes that are marketed internationally. The area along the Orange River in the Northern Cape is one of the few regions in the world that can produce quality table grapes for the peak pre-Christmas demand in Europe.

Markets

The 2014/2015 season saw an increase in exports over the previous season, with over 94% of the farm's produce going overseas and less than 6% sold locally.

Northern Cape Grape Farms markets



Northern Cape Grape Farms performance[1]

Although the Northern Cape Grape Farms are amalgamated as one investment, the three farm properties are situated more than 40km from each other, in distinct regions with individual challenges. The properties also have their own management teams and packhouses, and are therefore assessed as separate production units. For this reason, the original farm names (Nuweland, Oranjestroom, and Onderstepoort) are used where necessary, for ease of reference. The farms were visited on five days during the year.

As at Marble Hall, the drought in the Northern Cape region has ravaged stock farmers who depend on rain; however, the impact on the Fund's irrigated grape farms has been relatively small. The 2014/2015 crop yielded the highest volumes in recent memory, mainly due to a very even (grape) berry size and unusually large bunches. Notably, the very hot dry summer contributed to the good yield, with the newly developed vineyards at Nuweland producing some of the best yields of the season. The improved packing facilities were used for the first time and greatly contributed to the efficient pack of the large harvest.

The Nuweland and Oranjestroom properties are being managed very well. Improved farming techniques enabled the farms to bring new vines into production within 18 months. This is a notable achievement and increased the operator's profitability. At Onderstepoort, which was very run down on acquisition, much effort has gone into cleaning up the property and leading the new vines onto the trellising. The gap between this farm and the other two is narrowing and all three units should be operating at the same level by next year.

In November, the farms invested much time on packhouse upgrades and the servicing and operation of the cold storage. In some cases a 30% higher packout volume has been achieved with the same number of labourers as in the past. This will enable the farm to stay ahead of the maturing crop and therefore reduce waste as a result of over ripe fruit, and to end the packing season earlier. The farm will then be able to start with post-harvest activities earlier than ever in the past. All signs indicate a good crop in the 2015/2016 season, with the only challenge being the extreme heat. The effect of this will only be known after the harvest has been completed as some sun burned and wilted berries will be culled.

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

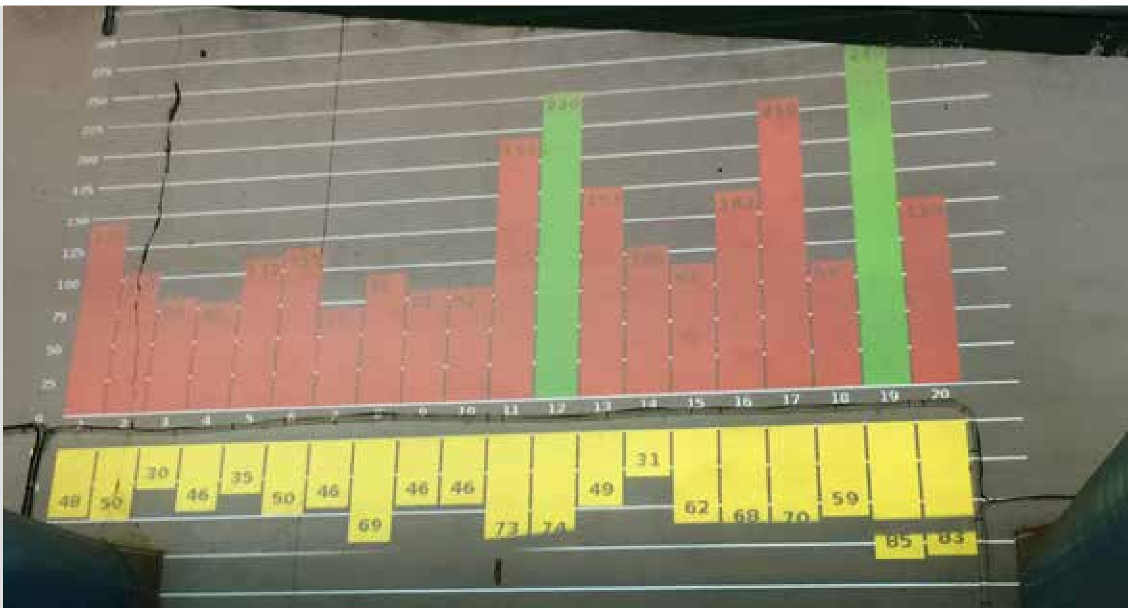
Northern Cape Grape Farms expansion update

As previously mentioned, these farms are spread across a wide area, including areas situated close to the Orange River and parts that are remote and relatively inaccessible. The expansion programme is accordingly complex and needs to take in to account specific conditions on each of the original farms. As the new vineyards reach full production, expansion of the related packhouses, infrastructure and equipment is required. Worker housing expansion and improvements are also included in the programme.

Since acquisition, a significant aspect has been the drive to cover the vineyards with netting. Netting provides grape farmers with many advantages, especially in the Northern Cape where hail storms and birds tend to damage the crop. Furthermore, nets have been found to increase the yield of vineyards by 25% and operator income by up to 40%. Nets have a life span of ten years, after which they need to be replaced.

During the year, all planned seasonal worker housing and ablutions were completed. Early completion of the packhouse has enabled the farm to pack more efficiently, as mentioned above. After problems with the netting contractor the operator completed the work themselves. This proved to be a good decision and nearly all the netting has now been completed. All plantings and irrigation systems upgrades have been completed on Oranjestroom and Onderstepoort. At Nuweland, 12 ha of new plantings and netting will be completed early in 2016.

Packer efficiency
Grape packers on the farms work in teams of four. Each team's volumes are tracked against daily targets and displayed on the pack shed wall. The green bars indicate quotas met or exceeded. The yellow bars below the line indicate bunches rejected. This system enables management to investigate and help teams who may be experiencing problems as soon as they occur and motivates teams to perform at their best.



Deal three: Piketberg

FAST FACTS

Acquisition date	November 2011	Operator	IFS
Investment period	10 years	Operator company	Hochland (Pty) Ltd
Primary crop	Deciduous and stone fruit	Property SPV	Salestalk (Pty) Ltd
Region	Western Cape	Individual farm names	Stawelklip Voorstevlei Hochland
Total farm size	1 035 ha (including natural lands)		
Primary production and infrastructure area combined	147 ha (888 ha natural lands)	Workforce	Permanent: 124 Seasonal: 520 at peak
		Potential job creation	100 new jobs over time

The Piketberg investment is a consolidation of three deciduous and stone fruit farms in the Western Cape, totaling 1 035 ha, of which 888 ha are natural veld.

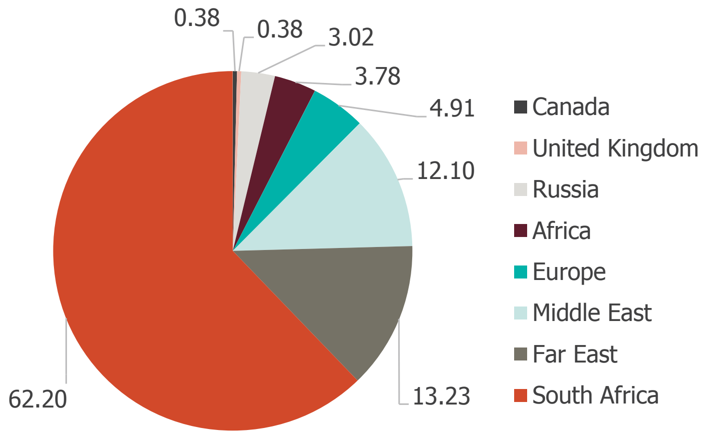
This farm had been under liquidation for two years when the Fund purchased it, and was in a state of neglect. After acquisition, the farm went through a rebuilding phase, and ultimately entered its production phase in 2014. In addition to bringing operations up to acceptable standards, considerable effort went in to clearing and tidying the farm, removing scrap metal and demolishing redundant buildings. The investment has significant expansion potential, with excess water rights, and it is anticipated that 100 new jobs will be created over time.

This property lies 850 metres above sea level, providing a unique and ideal micro-climate within the fruit industry. This allows the farm to yield prime, early to market, top quality produce, with the advantage of global peak-price marketing opportunities.

Markets

Most of Piketberg's produce in the 2014/2015 season (62%) was sold locally in South Africa to premier retailers such as Pick n Pay and Shoprite/ Checkers, and almost 4% sold to the rest of Africa. The farm is GLOBALG.A.P and BRC (British Retail Consortium) accredited and the remaining produce was shipped directly to offshore clients in Europe and the Middle and Far East, with a small amount going to Russia, Canada and the United Kingdom

Piketberg markets



Piketberg farm performance[1]

Water management has been a priority at the farm, with the driest June experienced in 33 years. A new weir, pump station and pipeline were completed in July and had an immediate impact, given the dry winter conditions. The dry summer weather, on the other hand, assisted the harvesting at the beginning and end of the year. The farm managed the crop thinning process very well and a good quality and size of fruit was achieved. The stone fruit (peaches, plums and nectarines) and pomme fruit (apples and pears) crop volumes are up on previous seasons, with early indications of a 15 to 20% increase across all fruit types. The farm was visited on nine occasions during the year.

Even though water reserves at the Voorstevlei dam are low, there is sufficient water in the existing boreholes. Another borehole will be drilled early in 2016 to ensure a water shortage does not arise.

The operator is putting an extensive effort into cleaning up the property. This is noticeable across the farm, with housing being renovated and redundant equipment sold off and removed, creating a general impression of neatness and organisation.

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

Piketberg expansion update

As mentioned above, river levee pumps were installed mid-year and pumping into the dams started shortly after that. The new weir and pumphouse will help secure the water supply to the farm.

Irrigation system installations on all the planned new blocks were completed. All new apple trees of the Royal Beauty variety were planted as well as 11.5 ha of Orr variety trees for the citrus expansion project. The slow supply of planting material and supply of undersized plants continues to be a challenge. Unfortunately this is an industry-wide problem, with planting material currently in extreme demand. All outstanding development work is expected to be completed by May 2016, when the last of the new citrus trees will be planted.

The painting and repair of the Voorstevlei storage buildings was completed. New cold room electrical and civil work will be completed early in the first quarter of 2016. Renovations to four worker houses were completed during the year. Workers are particularly pleased with the newly installed solar geysers, as previously they had to heat their own water. Upgrading of the farm crèche was also completed and this facility is now running well.

Farm worker heroes

On 18 September 2015, the Fund's Piketberg farm scooped the "Beste Plaas" award at the regional finals of the 2015 Farm Worker of the Year competition. In addition, individual awards were presented to six workers:

1st place
Junior manager John Mbalula
Social development Lettie Marcus

2nd place
Foreman Alette Pieters
Administrator Corna Jonas

3rd place
Tractor driver Neto Mbalula
General worker Adam Janse

The competition is co-sponsored by the Western Cape Department of Agriculture and Shoprite.

In line with this winning streak, at the recent Piket-bo-berg Cycle Challenge, our farm workers volunteered to man one of the watering points and were voted "Best Watering Point" by the cyclists on the day.

Deal four: Eshowe

FAST FACTS

Acquisition date	January 2014	Operator company	Fruitstar (Pty) Ltd
Investment period	7 years	Property SPV	Cedarpoint Trading 21 (Pty) Ltd
Primary crop	Citrus		
Region	KwaZulu Natal	Individual farm names	Mvubu Bridgeford Sunnyside Thabile
Total farm size	714 ha (including natural lands)		
Primary production and infrastructure area combined	407 ha (307 ha natural lands)	Workforce	Permanent: 86 Seasonal: 440 at peak
Operator	Afrifresh (Pty) Ltd	Potential job creation	212 new jobs over time

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 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.

Expansion plans for the farm include infrastructure upgrades as well as extensive replanting and new orchard development. The replacement of unproductive Valencia orchards with lemons, macadamia nuts and bananas is expected to produce considerably better yields and it is expected that over 200 new jobs will be created, in time.

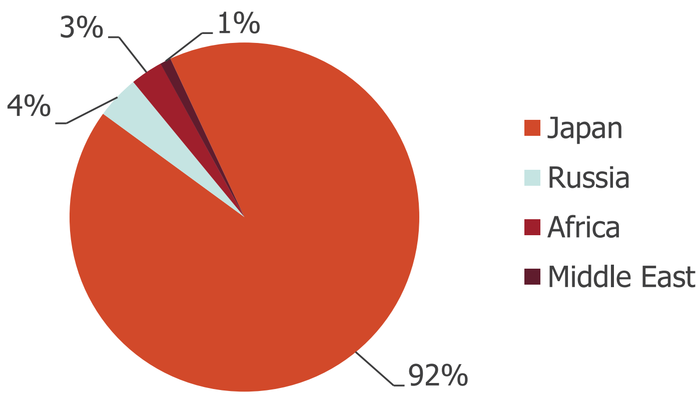
The Nkwalini Valley is located in a sub-tropical, summer rainfall area characterised by warm wet summers and cool dry winters, making it particularly suitable for the cultivation of citrus, macadamias and bananas.

Markets

The 2015 grapefruit and orange season at Eshowe was much the same as in 2014, with 50% of the produce going to the local juicing market. The remainder was exported as illustrated in the charts below. The new bananas and lemons are not yet in quantifiable production.

The new degreening facility enabled the operator to access the lucrative Japanese market earlier, and with a better quality product. The new facility will secure consistent access to this market in the future.

Eshowe grapefruit exports



CITRUS DEGREENING

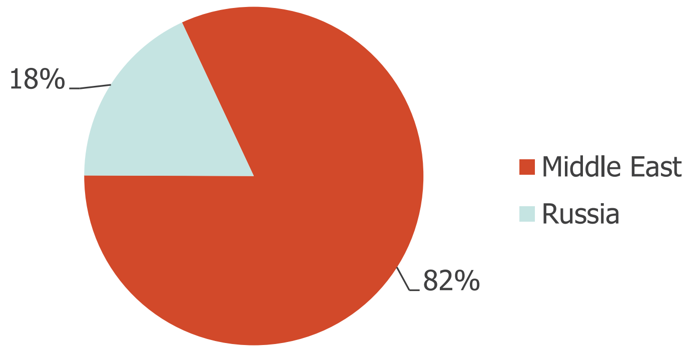
Citrus fruit generally ripens internally before it appears ripe on the outside. It is non-climacteric, meaning that unlike tomatoes, pineapples or peaches it cannot ripen once it is separated from the tree. Ripe oranges and grapefruit often have some green colouring in the skin. Although the skin colour is not an accurate indication of ripeness or flavour, purchases tend to be based on the external appearance of the fruit, therefore produce that does not meet established colour standards cannot be shipped to certain markets.

Degreening is a process where green citrus fruit is placed in a "degreening room" where the humidity and temperature can be controlled. Then a carefully measured amount of ethylene gas is introduced causing the fruit to gradually change colour. This process stimulates removal of chlorophyll and exposure of yellow and orange pigments (carotene).

Ethylene is a naturally occurring gas that is given off by many types of fruits and vegetables. The degreening process only affects the skin colour on the outside of the fruit and does not affect the quality of the fruit inside. The process can, however, shorten the shelf life of the fruit if not done correctly, and needs to be carefully monitored and applied.

The main factor affecting the colour development of citrus while on the tree is temperature: the more cool weather the fruit is exposed to, the quicker it will turn colour. While this may be beyond the operator's control, the degreening facility provides an ecological solution for dealing with the fruit afterwards.

Eshowe orange exports



Eshowe performance[1]

Two site visits to the Eshowe farm took place during the year. In October 2015 the KwaZulu Natal province was declared a disaster area by the Government. Despite the hot and dry conditions the farm continued operating well and the weather had minimal impact on the current season's crop. Most of the mature orchards had been removed for the Fund's replanting programme, which was implemented prior to the drought, and the new young plants have less of a water requirement than older plants. The sealing of all the farm dams played a significant role in alleviating the situation. This is the only farm in the Fund that had water restrictions. A new borehole was sunk during the fourth quarter and more will be drilled in 2016, to mitigate against possible water restrictions in the future.

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

Eshowe expansion update

The sealing of the Thabile and Mvubu dams was completed during the second half of the year. This proved to be a good investment as the dams have been filled with water and no longer have any leaks. Drainage maintenance started in October and will continue into the first quarter of 2016.

As mentioned, the new degreening facility was completed in time for the new season. Fencing around the farm was completed before the year end. Work continued on the seasonal and permanent worker housing projects.

All the planned lemon grafting was completed in the fourth quarter and an early assessment has shown that there were about 97% takes, which is well within the national norm. The planting of the new bananas was successfully completed, and a small crop was achieved just before the end of the year. The planned 99.8 ha macadamia expansion was delayed due to a shortage of planting material and is now expected to take place in 2016.

Fund Management

The SICAV is managed by Futuregrowth Asset Management (Pty) Ltd. UFF Agri Asset Management (Pty) Ltd, a South African based management company specialising in agricultural investments in African countries, is the Fund Advisor.

SICAV Directors
Paul Rackstraw
Duncan Vink
Andrew Canter

The Futuregrowth team

Paul Rackstraw	Managing Director
Smital Rambhai	Product Manager
Didintle Mosupyoe	Administration and accounts
Sue Hopkins	Administration and reports
Ryan Kieser	Compliance Officer

The UFF team

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Duncan Vink	Joint Managing Director
Miné van Wyk	Chief Financial Officer
Hang Wah Man	Head of Investments
Mbali Dayel	Investment Analyst
Andries Debeila	Investment Analyst
Theo van der Veen	Investment Business Development
Shaun Williams	Fund Accountant
Masibulele Nocanda	Fund Accountant
Andre Botha	Agronomist
Dafne Nienhuys	Environmental, Social and Governance (ESG)
Nadia Sage	Accounting
Carmen Gysman-Buys	Accounting
Amza Niyonzima	Accounting Assistant
Nuraan Manuel	Office Management

Governance process

The Agri-Fund Investment Committee, comprising representatives of the Fund Manager and investors as well as independent members, approves all agricultural assets to be included in the Fund, not only from a commercial perspective, but also from a social and environmental perspective. The Committee is advised by at least two representatives from UFF who present the investment proposal but have no voting rights.

Investment process

To qualify as an agricultural asset for the Fund, the asset must successfully pass through an evaluation process and be approved by the Agri-Fund Investment Committee.

In brief, the process commences with an eligibility and risk analysis of the proposed investment. This results in an initial investment proposal which is submitted to the Investment Committee for approval. Should the investment be conditionally approved, an in-depth due diligence is performed consisting of a full financial, legal and tax review of the business as well as a full technical and agronomical assessment of the property. The Investment Committee then deliberates and votes for final approval.

Appendix 1
Annual Financial Statements

The 2015 Annual Financial Statements are available on request.

Appendix 2

Glossary of terms used

TERM	DESCRIPTION
AET (previously known as ABET)	Adult Education and Training - an outcomes-based education programme in literacy and numeracy that provides basic learning tools and access to nationally recognised qualifications. (Not to be confused with Agricultural Education and Training)
Committed capital	The total amount committed to the capital of the Partnership by each Limited Partner, as set forth in the Partnership Agreement or in the Limited Partner's Deed of Adherence.
Drawn capital	Capital contributed and paid by the Limited Partners of the Partnership to the SPVs.
Expansion	Additional orchards planted or improvements built within the borders of the existing farm; and/or additional farmland or assets purchased, that will increase the total farm size.
Farm size	Total hectares of farmland owned by the SPV in the Partnership.
Fixed assets	Long-term tangible assets that the SPV owns and uses to create income, typically being the farmland and improvements.
IC	Agri-Fund Investment Committee.
Initial investment	Purchase price of the investee farm.
Lease fee	The upfront agreed fees with the selected operators, linked to the valuation of the land purchased. This is in the order of 8% to 10% of the land value and escalates annually with CPI. Other movable assets are leased on a higher, but market related, fee.
Net asset value (NAV)	The value of an entity's assets less the value of its liabilities.
Permanent crops	Crops that are generated from plants and trees that have a productive life over many seasons.
Permanent employees	Workers employed on the farms, with contracts longer than one year.
SPV	Special Purpose Vehicle: used for holding farm assets.
Valuation methodology	1st year: farms valued at cost plus additional capex at cost. Farms are independently revalued after a 12 month period has passed from date of acquisition.

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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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