

# OLD MUTUAL AFRICAN AGRICULTURAL FUND (Luxembourg)

Société d'Investissement à Capital Variable

Luxembourg R.C.S.: B. 169 338

Audited Annual Report  
for the year ended 31.12.2014

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**The Fund**

Old Mutual African Agricultural Fund (Luxembourg)  
58, rue Charles Martel, L-2134 Luxembourg

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**Board of Directors of the Fund**

P.E. Rackstraw, Chairman of the Board  
Managing Director, Futuregrowth Asset Management  
(Proprietary) Limited, Cape Town, South Africa

A. Canter, Member of the Board  
CIO, Futuregrowth Asset Management (Proprietary) Limited,  
Cape Town, South Africa

D. Vink, Member of the Board  
UFF Agri Asset Management, Cape Town, South Africa

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**Auditor of the Fund**

KPMG Luxembourg, Société Coopérative  
39, Avenue John F. Kennedy  
L-1855 Luxembourg

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**Investment Manager**

Futuregrowth Asset Management (Proprietary) Limited  
3rd Floor Great Westerford  
240 Main Road  
Rondebosch 7700  
Cape Town, South Africa

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**Investment Adviser**

UFF Management (Mauritius) Limited  
Rogers House, 5 President John Kennedy St.,  
Port-Louis, Mauritius

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**Custodian of the Fund**

*January 1, 2014 to November 30, 2014:*  
Credit Suisse (Luxembourg) S.A.  
56, Grand-Rue, L-1660 Luxembourg

*December 1, 2014 to December 31, 2014 :*  
UBS (Luxembourg) S.A.  
33A, avenue J.F.Kennedy  
L-1855 Luxembourg

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**Administrator of the Fund**

*January 1, 2014 to November 30, 2014:*  
Credit Suisse Fund Services (Luxembourg) S.A.  
5, rue Jean Monnet, L-2180 Luxembourg

*December 1, 2014 to December 31, 2014 :*  
Maitland Luxembourg S.A.  
58, rue Charles Martel, L-2134 Luxembourg

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**Legal Advisor of the Fund as to Luxembourg law**

Arendt & Medernach  
14, rue Erasme, B.P. 39, L-2010 Luxembourg

To the Shareholders of

Old Mutual African Agricultural Fund (Luxembourg)  
("the SICAV")  
58, rue Charles Martel, L-2134 Luxembourg

We have audited the accompanying financial statements of Old Mutual African Agricultural Fund (Luxembourg), which comprise the statement of net assets and the statement of investments in securities and other net assets as at 31 December 2014 and the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Board of Directors of the SICAV responsibility for the financial statements*

The Board of Directors of the SICAV, is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements, and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Responsibility of the Réviseur d'Entreprises agréé*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Old Mutual African Agricultural Fund (Luxembourg) as at 31 December 2014, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

*Other matter*

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Luxembourg, June 18 2015

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé



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**Fund Overview**

The Old Mutual African Agricultural Fund (Luxembourg) ("The Fund") is actively managed, sourcing appropriate high impact agricultural investments. Farm operators are carefully selected and the developmental impact closely monitored in order to deliver targeted returns and social responsibility objectives.

The Fund holds an investment in the Futuregrowth Agri Fund 1 ("SA fund") which invests in South African farmland. The Fund during the course of the year provided working capital finance to SMT Agri Finance to enhance the return of the Fund.

As at 31 December 2014, the Old Mutual African Agricultural Fund (Luxembourg) SICAV ("The Fund") had committed capital of USD 6.5m (ZAR 62m) to the SA fund, which is invested in South African farmland. Of this, USD 5.8m (ZAR 54.3) had been drawn by the end of the quarter. The invested capital is spread across four deals: Marble Hall, Northern Cape Grape Farms, Piketberg and Eshowe. 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.

**Investments (Farm Overview)**

Reviewing the investments held by the Fund via the SA fund, development work on all four farms progressed well during the year.

New lemon plantings at **Marble Hall** are showing promise. Some hail and frost damage may have an impact on the coming season.

Harvesting was in full swing on the **Northern Cape Grape Farms** in the final quarter of the year, with above average yields. Implications of the age of some individual vineyards are being explored.

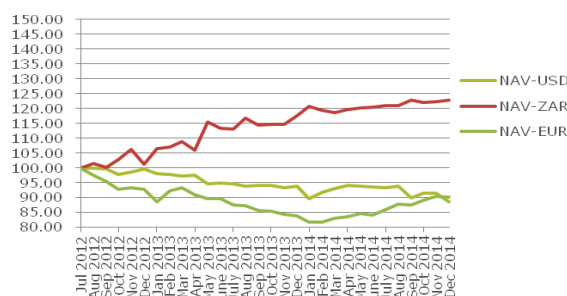
The **Eshowe farm** has coped well under challenging conditions and has set a good crop for the coming season.

**Performance Overview**

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.

The ZAR currency weakened by 10% during 2014 which had a considerable impact on the NAV as the Fund is based in US Dollars. The currency weakness had a negative impact on the existing investment into the South African farms. 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.

A working capital loan was made to SMT Agri Finance during the year, which also helped optimize the use of the excess cash in the Fund. The counterparty has been paying timeously and will roll the facility when it expires in April 2015.

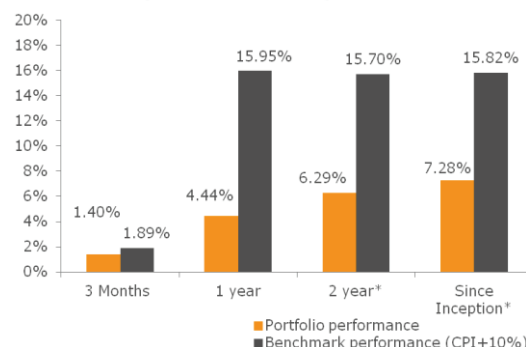
We have inserted a chart below showing the returns on the invested capital in the SA fund.

Independent valuations on all the SA farms were conducted during the 4th quarter of 2014, but were not completed 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 2015. A side note on the revaluations will be provided to investors once they have been approved by the Agri-Fund Asset Valuation Committee.

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.

**SA fund returns (ZAR Denominated)**



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

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**Technical Data and Notes**

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**Technical Data**

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		<b>Valoren</b>	<b>ISIN</b>	<b>Management fee</b>
I - Capitalisation	USD	18861362	LU0796025822	1.75%
P - Capitalisation	USD	18683822	LU0788196938	1.75%

**Statement of Net Assets and Fund Evolution**

	<b>31.12.2014</b>
<b>Assets</b>	
Investments in securities at market value	6,094,660
Cash at banks	943,845
Prepaid expenses	42,959
Other assets	7,388
	<b>7,088,852</b>
<b>Liabilities</b>	
Accrued expenses	68,301
	<b>68,301</b>
<b>Net Assets</b>	<b>7,020,551</b>

<b>Fund Evolution</b>		<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>Total net assets</b>	<b>USD</b>	<b>7,020,551</b>	<b>7,332,560</b>	<b>15,684,599</b>
<b>Net asset value per share</b>				
I-Capitalisation	USD	88.62	93.73	99.56
P-Capitalisation	USD	88.62	93.73	99.56

<b>Number of shares outstanding</b>	<b>at the end of the year</b>	<b>at the beginning of the year</b>	<b>Number of shares issued</b>	<b>Number of shares redeemed</b>
I-Capitalisation	78,767.55	77,779.88	987.67	-
P-Capitalisation	450.00	450.00	-	-

**Statement of Operations and Changes in Net Assets**

	<b>For the period from 01.01.2014 to 31.12.2014</b>
<b>Net assets at beginning of the year</b>	<b>7,332,560</b>
<b>Income</b>	
Dividend income	606,974
Interest income	69,256
Other income	90,000
	<b>766,230</b>
<b>Expenses</b>	
Management fee	10,292
Advisory fee	34,734
Custodian and safe custody fee	11,051
Administration expenses	12,945
Audit, control, legal, representative bank and other expenses	77,072
"Taxe d'abonnement"	4,036
Registration expenses	4,959
Amortisation of formation expenses	9,913
	<b>165,002</b>
<b>Net income / loss</b>	<b>601,228</b>
<b>Realised gain / loss</b>	
Net realised gain / loss on forward foreign exchange contracts	3,933
Net realised gain / loss on foreign exchange	-50,280
	<b>-46,347</b>
<b>Net realised gain / loss</b>	<b>554,881</b>
<b>Change in net unrealised appreciation / depreciation</b>	
Change in net unrealised appreciation / depreciation on investments	-959,800
	<b>-959,800</b>
<b>Net increase / decrease in net assets as a result of operations</b>	<b>-404,919</b>
<b>Subscriptions / Redemptions</b>	
Subscriptions	92,910
Redemptions	-
	<b>92,910</b>
<b>Net assets at the end of the year</b>	<b>7,020,551</b>



**Breakdown by Country and Investment Type of Investment in Securities****Statement of Investment Securities and Other Net Assets****Breakdown by Country**

South Africa	86.81
<b>Total</b>	<b>86.81</b>

**Breakdown by Investment Type**

Investment trusts/funds	65.86
Loans	20.95
<b>Total</b>	<b>86.81</b>

**Statement of Investments in Securities and Other Net Assets**

<b>Description</b>	<b>Valuation (in USD) % of net assets</b>	
Fund units (Open-Ended)		
ZAR FUTUREGROWTH AGRI FUND I	4,623,659.63	65.86%
<b>Fund units (Open-Ended)</b>	<b>4,623,659.63</b>	<b>65.86%</b>
<b>Other debt instruments: Loans</b>		
SMT AGRI FINANCE floating rate 14-100415	1,471,000	20.95%
<b>Other debt instruments: Loans</b>	<b>1,471,000.00</b>	<b>20.95%</b>
<b>Total of Portfolio</b>	<b>6,094,659.63</b>	<b>86.81%</b>
Cash at banks	943,845	13.44%
Prepaid expenses	42,959	0.61%
Other assets	7,388	0.11%
Accrued expenses	-68,301	-0.97%
<b>Total net assets</b>	<b>7,020,551</b>	<b>100.00%</b>

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**Notes**

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**General**

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Old Mutual African Agricultural Fund (Luxembourg) (the "Fund") has been incorporated for an unlimited period under the laws of the Grand Duchy of Luxembourg as a "société d'investissement à capital variable" (SICAV) under the form of a "société anonyme" on May 31, 2012 organized under Part II of the law of 17 December 2010 on undertakings for collective investments as amended ("the Law of 2010"). The Fund is classified as an internally managed investment fund within the meaning of the law of 12 July 2013 on alternative investment fund managers ("the Law of 2013") and is managed in such a way as to benefit from the derogations under Article 3(2) a) of the Law of 2013. The Board of Directors will take any steps required by the Law of 2013 in the case where the conditions of the mentioned exemption would no longer be met.

**Summary of significant accounting policies**

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*a) Presentation of financial statements*

The financial statements are presented in accordance with Luxembourg law and regulations.

*b) Computation of the net asset value*

The Net Asset Value is calculated on the last Business Day of each month.

The Net Asset Value per Share of each Class is calculated in its Reference Currency.

*c) Valuation of investment securities*

The valuation of private equity investments (such as equity, subordinated debt and other types of mezzanine finance) is based on the valuation guidelines of the International Valuation Standards Council as adopted and varied for purposes of agri-related investments, and is conducted with prudence and in good faith.

Senior debt instruments, invested in / granted to companies not listed or dealt in on any stock exchange or any other Regulated Market, will be valued at fair market value, deemed to be the nominal value, increased by any interest accrued thereon; such value will be adjusted, if appropriate, to reflect the appraisal of the Investment Manager on the creditworthiness of the relevant debtor. The Board of Directors will use its best effort to continually assess this method of valuation and recommend changes, where necessary, to ensure that debt instruments will be valued at their fair value as determined in good faith by the Board of Directors.

The value of money market instruments not listed on any stock exchange or dealt in on any other Regulated Market and with a remaining maturity of less than 12 months is deemed to be the nominal value thereof, increased by any interest accrued thereon.

The value of securities which are admitted to official listing on any stock exchange is based on the latest available price or, if appropriate, on the average price on the stock exchange which is normally the principal market of such securities, and each security dealt on any other Regulated Market is based on the last available price. In the event that, this price is, in the opinion of the Board of Directors, not representative of the fair market value of such securities, for example in the case of illiquid securities and/or stale prices, the Board of Directors will value the securities at fair market value according to their best judgment and information available to them at that time.

The value of any cash at hand or on deposit, bills and demand notes and accounts receivable, prepaid expense, cash dividends declared and interest accrued, and not yet received is deemed to be the full amount thereof, unless, however, the same is unlikely to be paid or received in full, in which case the value thereof is determined after making such discounts as the Board of Directors may consider appropriate to reflect the true value thereof.

Units or shares of open-end or closed-end UCIs will be valued at their last official net asset values, as reported or provided by such UCI or their agents, or at their last unofficial net asset values (i.e. estimates of net asset values) if more recent than their last official net asset values, provided that due diligence has been carried out by the relevant Investment Manager, in accordance with instructions and under the overall control and responsibility of the Board of Directors, as to the reliability of such unofficial net asset values.

The liquidating value of futures, forward or options contracts not admitted to official listing on any stock exchange or dealt on any other Regulated Market means their net liquidating value determined, pursuant to the policies established prudently and in good faith by the Board of Directors, on a basis consistently applied for each different variety of contracts.

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**Notes**

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Swaps, as far as credit swaps are concerned, will be valued at fair market values as determined prudently and in good faith by the Board of Directors.

All other securities and assets will be valued at fair market value as determined in good faith pursuant to procedures established by the Board of Directors.

In the event that extraordinary circumstances render valuations as aforesaid impracticable or inadequate, the Fund is authorized, prudently and in good faith, to follow other rules in accordance with procedures approved by the Board of Directors, in order to achieve a fair valuation of its assets.

*d) Net realised gain/loss on sales of investments*

The realised gains or losses on the sales of securities are calculated on the basis of the average acquisition cost.

*e) Foreign exchange conversion*

The value of all assets and liabilities not expressed in the Reference Currency of the Fund or of a Class of Shares will be converted into the relevant Reference Currency.

Realised gains or losses on foreign currencies are accounted for in the statement of operations.

The acquisition cost of securities in currencies other than the reference currency is converted into the reference currency at the foreign exchange rate valid at the date of acquisition.

*f) Valuation of forward foreign exchange contracts*

Open forward foreign exchange contracts are valued at valuation date at forward exchange rates prevailing at this date and resulting unrealised gains or losses are posted to the statement of operations and are shown under other assets/liabilities in the statement of net assets.

The following exchange rates ruled at the valuation date for converting assets/liabilities and unrealised gains or losses to presentation currency:

1 USD : EUR 1.2100

1 USD : ZAR 0.0866

*g) Allocation of recurring expenses*

The Fund may accrue administrative and other expenses of a regular or recurring nature based on an estimated amount on a pro rata basis for yearly or other periods.

*h) Formation expenses*

Formation expenses are recorded in the prepaid expenses caption of the statement of net assets. These costs are amortised over a maximum period of five years.

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**Management fee and investment advisory fee**

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The Management Fee consists of both an Investment Management Fee and an Investment Advisory Fee amounts to a combined total of 1.75% per annum, based on the Net Asset Value, and will be paid out of the assets of the Fund, on a quarterly basis, directly to respectively the Investment Manager and the Investment Advisor. The fees are calculated based on the total net assets less the commitment of the Futuregrowth Agri Fund I converted into USD. Duplication of management fees, subscription and/or redemption fees and other operating fund related expenses may occur each time the Fund invests in other UCIs, unless the other UCIs are managed by the Old Mutual group.

Duplication of management fees, subscription and/or redemptions fees and other operating fund related expenses may occur each time the Fund invests in other UCIs. However, in case of investment in Old Mutual funds, no subscription, redemption or conversion fees nor management fees will be duplicated on any such investment.

**Notes****Performance fee**

Over and above the Management Fee, the Investment Manager and Investment Advisor will jointly be entitled to a Performance Fee equal to 20% of the excess return of the Fund over and above the hurdle rate of 12% in nominal terms. This Performance Fee will be calculated in respect of each calendar year.

The under performance of the Sub-fund will be carried forward from one calendar year to another.

The Performance Fee will be calculated and accrued as an expense of the Fund on a monthly basis as at each Valuation Date and will be payable in arrears within 14 days of the end of each calendar year.

The Performance Fee will be re-calculated at the end of each financial year on the basis of the actual performance of the Fund during the preceding two financial years. In the event that, as a result of such re-calculation, a lesser Performance Fee would have been due for such three-year period if the Performance Fee had been calculated on an annual basis, the Investment Manager and Investment Advisor will reimburse the Fund the difference between (i) the amount received during such period and (ii) the amount that would have been due in case of an annual calculation, within one month upon receipt of a written notice from the Fund of the results of such calculation.

During the period no performance fee was paid.

**Private Equity transactions in the securities portfolio**

The cost of underlying investments is comprised of capital contributions which reduce the total unfunded commitment. Late entry fees are not recorded as part of the cost and are expensed immediately as they are not part of the total commitments as relevant.

**Fund investments**

<b>Investment Funds</b>	<b>Commitment</b>	<b>Amount funded</b>
Futuregrowth Agri Fund I	ZAR 62,000,000 (USD 5,367,501)	ZAR 54,323,810 (USD 4,702,953)
<b>Loans</b>		<b>Loan value</b>
SMT AGRI FINANCE floating rate 14-100415		USD 1,471,000

**"Taxe d'abonnement"**

Under the prevailing laws and regulations, the Fund is subject in Luxembourg, on the basis of its investments, to a "taxe d'abonnement" at the annual rate of 0.05%, payable quarterly and calculated on the basis of the net assets at the end of each quarter.

The rate is however 0.01% per annum for:

- undertakings the exclusive object of which is the collective investment in money market instruments and the placing of deposits with credit institutions;
- undertakings the exclusive object of which is the collective investment in deposits with credit institutions; and
- individual compartments of UCIs with multiple compartments as well as for individual classes of securities issued within a UCI or within a compartment of a UCI with multiple compartments, provided that the securities of such compartments or classes are reserved to one or more institutional investors.

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**Notes**

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**Changes in the composition of the securities portfolio**

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Changes in the composition of the securities portfolio during the reporting year are available to Shareholders free of charge at the registered office of the Fund.

**Subsequent events**

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Subsequent events through the date of the audit report, which represents the date these financial statements, were available to be issued, have been evaluated for disclosure and recognition.

The Fund had a commitment of ZAR 62,000,000 to the FG Agri Fund I. The amount of ZAR 7,676,190 was drawn on January 15, 2015, which resulted in the full capital commitment being drawn.

No other material events have occurred between the date of the statement of net assets and fund evolution and the date that these financial statements were available to be issued.