

Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Quarterly report

June 2015

Old Mutual African Agricultural Fund (Luxembourg) – SICAV

Société d'Investissement A Capital Variable

Introduction

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. The Fund's mandate is to deliver an attractive return and provide rural economic development and empowerment.

The Fund's investments are in the actual farmland and infrastructure, which is leased to an approved operator to 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.

Fund returns are generated from the lease fee, with the potential capital value increase realised upon final exit with the potential profit on sale of the 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 a minimum 0.5% of the received lease fee income per annum 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.

(For further Fund information, see the Fund Facts page at the end of this report.)

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Summary

Fund overview	The Old Mutual African Agricultural Fund (Luxembourg) - SICAV ("The Fund") holds an investment in the Futuregrowth Agri Fund 1 ("SA fund") which invests in South African farmland. The SA fund holds four farm investments: Marble Hall, Northern Cape Grape Farms, Piketberg and Eshowe, comprising a total area of 5 868 hectares (ha). This report deals primarily with the SA fund investments as there are currently no investments in the rest of Africa. The Fund also derives income from providing a working capital finance loan to an agricultural entity.
Investments (SA farm overview)	2015 export estimates for Marble Hall are down due to early frost and hail damage; however the newly planted lemons were not affected and a good crop is expected. At the Northern Cape Grape Farms new plantings have achieved exceptional growth. The operator at Piketberg is continuing with renovations and cleaning up the farm, and the new weir and pump house will help secure the water supply to the farm. The water shortage at Eshowe is receiving attention, and the new lemon and banana projects are progressing well. The new degreening facility assisted in getting the crop to the lucrative early market.
Net asset value	Please refer to the Net Asset Value Inventory Reports on the Futuregrowth Luxembourg website for details: http://www.futuregrowth.lu
Performance	The returns during the quarter were attributable to the lease fee income net of costs.
Key data	
Committed capital	USD 6.5 million (ZAR 62 million) to SA farmland
The Net Asset Value per share of the Fund at end June 2015	USD 86.31
Total farm workers impacted	During the quarter 233 workers received pre-paid healthcare; 94 workers received Adult Education and Training (AET); and 21 workers received management training.

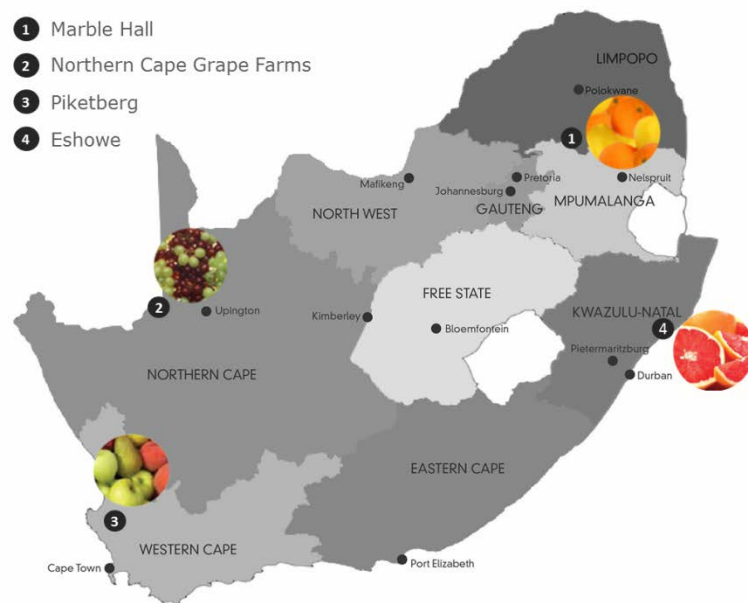
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Fund overview

Deals done in South Africa

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



As at 30 June 2015 the Old Mutual African Agricultural Fund (Luxembourg) SICAV ("The Fund") had an investment in the SA fund, which is invested in South African farmland.

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.

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

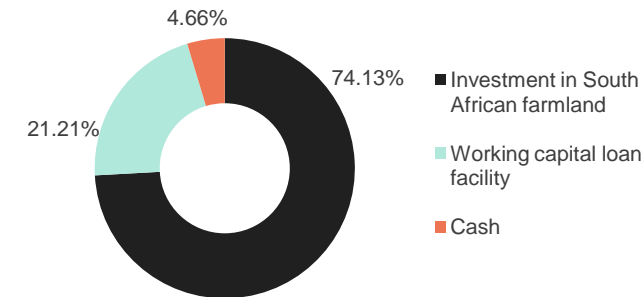
Northern Cape Grape Farms is a consolidation of three table grape farms in the Northern Cape province, bought in August 2011.

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

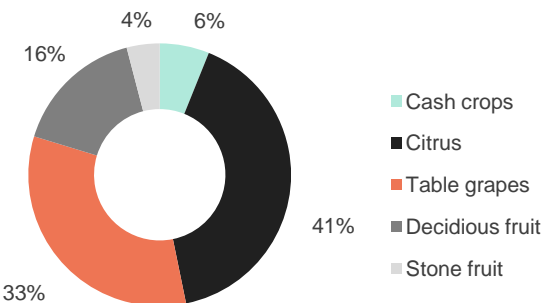
Country exposures



Asset allocations



Crop allocations



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Marble Hall investment

Acquisition date	December 2010	Operator	JV between farmer Nelus Potgieter and SAFE Farm Ventures (SFV)
Investment period	10 years	Operator company/ies	Fanchon (Pty) Ltd / Somerhoek (Pty) Ltd
Primary crop	Citrus	Property SPV	Royal Dawn Farming (Pty) Ltd
Region	Limpopo, bordering Mpumalanga	Individual farm names	Somerhoek, Loskop, Elandsdrift
Total farm size	936 ha (including natural lands)	Primary production and infrastructure area combined	714 ha (222 ha natural lands)
Farm overview	<p>The first of the 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 3 years and reach their peak in 8 to 9 years. The investment provides a solid footing in citrus farming that supplies both the local and international markets.</p> <p>During site 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 Fund agronomist conducts scheduled weekly conversations with the management on each of the Fund's farms and, in addition to site visits, the farm performance for the quarter is monitored via written updates and photographs supplied by the operator.</p>		
Farm performance¹	<p>The farm has bounced back from the hail and frost damage previously reported, and the overall condition of the farm is good. It is clear that correct fertilisation and pruning are having a positive effect on the general health of the plants and effort will now go into managing the regrowth. It is estimated that the farm will export about 230 000 cartons during the 2015 season, a decrease of about 45% over the past season, mainly due to the impact of the hail and frost damage. The farm has, however, continued to enhance its production potential and the current situation will not affect the long term viability of this production unit. All new plantings are in good health and a good lemon crop is expected for this season.</p>		
Expansion update	<p>Sealing of the dams on the farm has been completed. The work on the staff training and healthcare facility has been completed and plans are for the centre to be up and running from the end of July. The new staff housing project is 95% complete and is due to be finished by the end of July. New Witkrans navel orange trees for the orchard replanting project will be delivered and planted during September/October 2015.</p>		
Site visits during the quarter	No site visits took place during the quarter.		



Marble Hall worker housing in progress

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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Northern Cape Grape Farms investment

Acquisition date	August 2011	Operator	SFV
Investment period	10 years	Operator company/ies	Onderstepoort (Pty) Ltd
Primary crop	Table grapes	Property SPV	Matlotlo Trading 27 (Pty) Ltd
Region	Northern Cape	Individual farm names	Onderstepoort, Nuweland, Oranjestroom
Total farm size	3 183 ha (including natural lands)	Primary production and infrastructure area combined	222 ha (2 961 ha natural lands)
Farm overview	<p>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 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. 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.</p> <p>Although the Northern Cape Grape Farms are amalgamated as one investment, the three farms are situated more than 40km from each other, in distinct regions with individual challenges. The farms 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, Onderstepoort) are used where necessary, for ease of reference.</p>		
Farm performance¹	<p>The Nuweland and Oranjestroom properties are being managed very well. Improved farming techniques enabled the farm to bring new vines into production within 18 months. This is a notable achievement and increased the operator's profitability. Most of the effort during this quarter has gone into pruning and fertilising for the coming season. At Onderstepoort, most of the mature varieties are not achieving the expected levels of production. This means that even greater effort needs to be put into pruning, fertilising and irrigation so as to ensure economic production in the long term. This has resulted in a short term impact on the cashflow of the operator on this production unit.</p>		
Expansion update	<p>Most of the focus has been on completion of the worker housing and the packhouses, which was interrupted by the harvest. The work on these projects is now finished and they will be handed over by the contractor in the third quarter. Completion of the vineyard netting has continued to be a challenge. The contractor doing the work was placed under terms in the first quarter but did not achieve the agreed goals and work on the netting has stopped. The operator is considering employing its own team to complete the job in order to remain within the approved budget. The materials are all on site and completion of the outstanding items is dependant mostly on labour.</p>		
Site visits during the quarter	No site visits took place during the quarter.		



Onderstepoort farm

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Piketberg investment

Acquisition date	November 2011	Operator	International Fruit Services (IFS)
Investment period	10 years	Operator company/ies	Hochland (Pty) Ltd
Primary crop	Deciduous and stone fruit	Property SPV	Salestalk 173 (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)
Farm overview	<p>The Piketberg investment is a consolidation of three deciduous and stone fruit farms in the Western Cape, totalling 1 035 ha, of which 888 ha are natural veld. 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.</p> <p>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 an initial 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. These efforts, combined with the farm's setting in the Piketberg mountains, have made this one of the Fund's most picturesque investments.</p>		
Farm performance¹	<p>The farm experienced its driest June the past 33 years, reducing dam levels to 15% to 20% of capacity. Boreholes were used to top up the supply and by quarter end the dams had reached about 40% of their capacity. A new weir for pumping water from the river into the dams will be commissioned early in the third quarter, which will relieve the situation. 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 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. Workers are particularly pleased with the newly installed solar geysers, as previously they had to heat their own water.</p>		
Expansion update	<p>River levee pumps are currently being installed and pumping into the dams should commence early in the third quarter. The new weir and pumphouse will help secure the water supply to the farm. Upgrading of the crèche has been completed and this is now running well. All main lines and in-field irrigation systems for the citrus expansion project have been completed and 11.5 ha of Orr variety trees have been planted. The slow supply of planting material and supply of undersized plants continues to be a challenge. The nursery supplying the material has been warned, but unfortunately this is an industry-wide problem, with planting material currently in extreme demand.</p>		
Site visits during the quarter	14 and 20 May 2015.		



Piketberg housing renovations



New weir and pump



Piketberg crèche

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Eshowe investment

Acquisition date	January 2014	Operator	Afrifresh Group (Pty) Ltd
Investment period	7 years	Operator company/ies	Fruitstar (Pty) Ltd
Primary crop	Citrus	Property SPV	Cedarpoint Trading 21 (Pty) Ltd
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)
Farm overview	<p>The final farm investment was made by the 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. 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.</p> <p>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 lemons, macadamia nuts and bananas is expected to produce considerably better yields.</p>		
Farm performance¹	<p>The grapefruit season proved challenging again, with the Japanese market (traditionally the best paying market) oversupplied and all other markets under priced. However, the degreening chambers assisted greatly in getting the product into the Japanese market early. Overall, production on the farm was down, mainly due to the removal of certain orchards for the change over to lemons and macadamia nuts. The very dry season also impacted on the size of the fruit. In general ,the farm is in good condition despite the lack of water, with the expectation of a reasonable crop. The lack of rain is particularly worrying and this has been addressed with the operator, who has implemented some measures to ensure the security of the farm. These include the lining of all supply dams and ensuring that all applications of water are made timeously, without any wastage.</p>		
Expansion update	<p>Grafting of the lemons has taken priority and the farm will be reaping a small lemon crop as well as a grapefruit crop off the same trees this season. The banana project is well under way and plants are doing very well. The sealing of the supply dams and drainage of the fields has received attention. This will assist in the current season but is more important for the next production period starting in September. The worker housing project is nearing completion and should be finished early in the third quarter..</p>		
Site visits during the quarter	No site visits took place during the quarter.		



Eshowe coldstore



Lemon and grapefruit crop growing on the same trees

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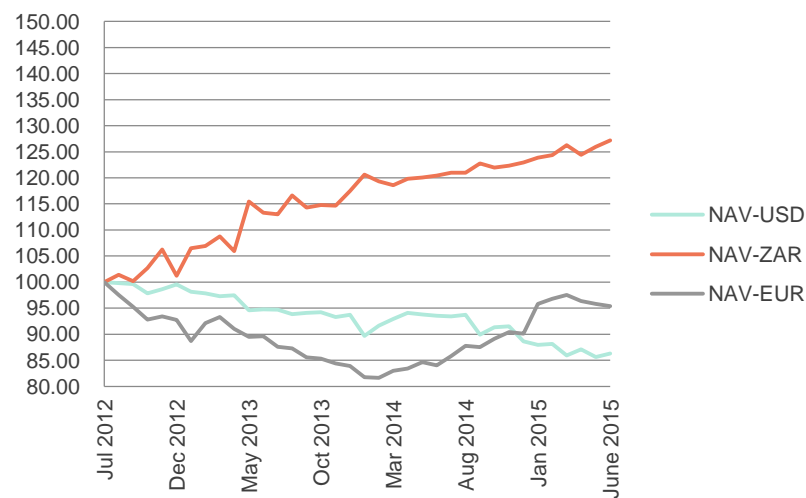
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Fund performance

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.

Performance (historical NAV)



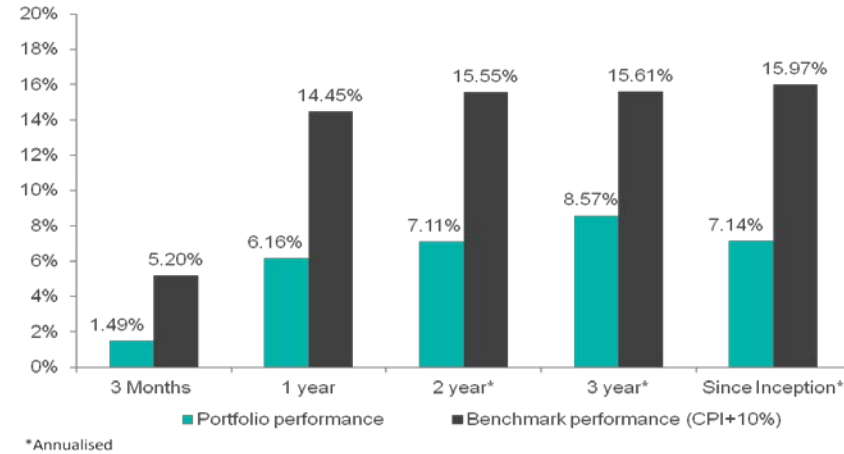
The Fund had a positive quarter with performance stemming from the lease fee received from the operators that are leasing the farms in the South African portfolio. The ZAR currency also remained quite stable which contributed positively for the quarter ending June 2015.

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Fund performance

SA fund level returns (ZAR denominated)



The daily time weighted returns provided by the SA fund are shown on the left. The SA fund delivered a return of 1.49% this past quarter and 6.16% over the past year.

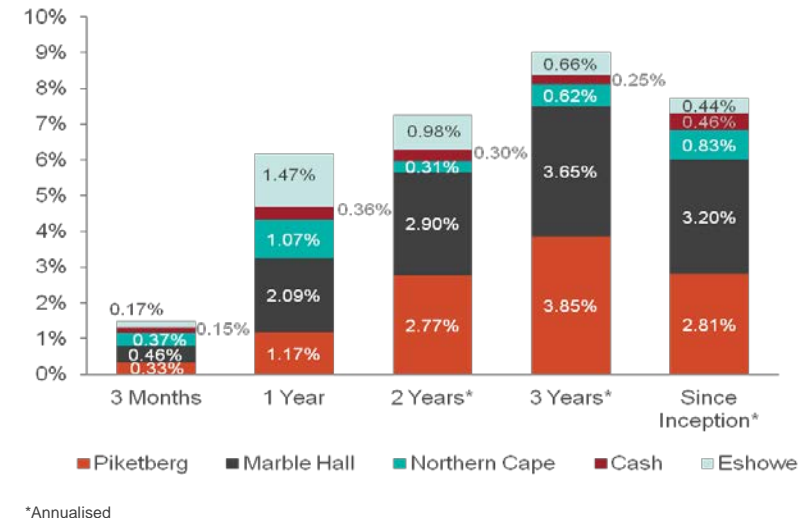
The investment performance of the SA fund reflects 7.14% per annum for the period since inception.

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. The J-curve effect is less pronounced than private equity investors are accustomed to, due to the lease income stream generated by the farmland assets after their acquisition.

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

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

Farm level returns



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Social impact

		Marble Hall	Northern Cape Grape Farms	Piketberg	Eshowe	Total
Permanent employees* (workers with contracts longer than 1 year)	At take-on:	25	94	102	83	304
	At June 2015:	61	90	126	82	359
Seasonal workers*, depending on season	Currently, up to:	450	950	520	440	2360
Projected new jobs (permanent & seasonal), due to expansion	Projected new jobs:	300	465	100	212	1077
Employees with access to pre-paid primary healthcare	At take-on:	0	0	0	0	0
	At June 2015:	61	0	70	102	233
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0	0
	At June 2015:	61	45	70	102	278
Employees receiving adult education	At take-on:	0	0	0	9	9
	At June 2015:	34	33	15	12	94
Employees receiving management training	At take-on:	0	0	0	0	0
	At June 2015:	7	5	3	6	21

The table above tracks the main social impact initiatives underway on the SA fund's farms. Our aim is to effect permanent change, rather than a tick-box approach. For this reason, the Fund's programmes are long-term in nature, and the primary beneficiaries are the workers on our farms – particularly those with long-term contracts (permanent workers). In our experience, **ongoing contact and continuity** are keys to achieving a meaningful result. For example, an HIV/Aids intervention has a far greater chance of success if an understanding of basic health care and a level of trust between doctor and patient has been built beforehand. The education and training initiatives are geared to **empower workers** and broaden their horizons and self-esteem. In this way, workers can make a more profound contribution in their families and communities, and a ripple effect is created.

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Seasonal impact

The SA fund currently has four labour intensive fruit farm investments, which present a greater opportunity for social impact than other (less labour intensive) types of farming. The Fund's expansion programme forms a vital part of our social upliftment strategy.

The seasonal nature of fruit farming means that labour requirements tend to fluctuate significantly during the year, with a resulting impact on job creation, housing, healthcare and training. The permanent workforce is maintained and grown where possible, and the needs of employees and the surrounding community are integrated where applicable. Local inhabitants are given first option to work on the Fund's farms; however, during peak seasons additional workers may have to be recruited from other areas.

The operators make a concerted effort to keep as many workers employed for as long as possible during the year, via work on general maintenance or packing fruit for other farms. The potential for extending the production season on each farm is taken into consideration in the planning of the Fund's expansion programmes.

It is foreseen that over a thousand additional permanent and seasonal jobs may be created over the life of the Fund, based on current expansion plans. Once all the newly planted trees and vines are bearing fruit at full capacity, the full potential of the Fund's investments to contribute to both food security and job creation will be realised – for farm labourers as well as their communities.



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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 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

USD
USD

ISIN

LU0796025822
LU0852744571

Class

I-1
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

Old Mutual Swaziland Agri-Fund

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Contact information and disclaimer

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Disclaimer

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

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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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