

Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Quarterly report

September 2016

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 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.

(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)	The focus during the quarter at Marble Hall, Piketberg and Eshowe was on harvesting and packing, with the new bananas at Eshowe delivering a good first crop. The Northern Cape Grape Farms were occupied with maintenance work such as pruning and spraying. The impact of the drought across the country continues to be felt, and good early spring rains are going to be essential to ease the situation.
Net asset value	Please refer to the Net Asset Value Inventory Reports on the Futuregrowth Luxembourg website for details: http://www.futuregrowth.lu
Performance	NAV of the Fund rose 5% for the quarter.
Committed capital	USD 6.5 million (ZAR 62 million) to SA farmland
The Net Asset Value per share of the Fund at end September 2016	USD 83.08
Total farm workers impacted	During the quarter 291 workers received pre-paid healthcare; 1 444 workers had access to HIV/AIDS services; 84 workers received Adult Education (AET); and 43 workers received management training.

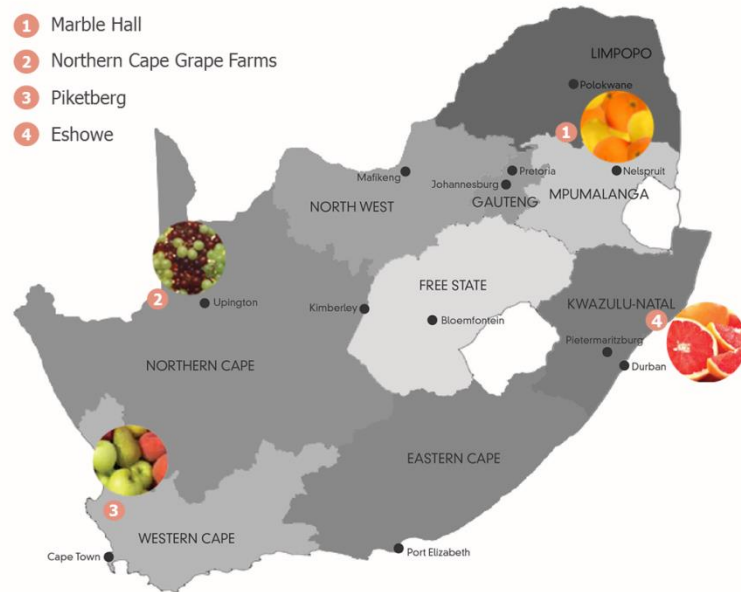
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Fund overview

Deals done in South Africa

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



As at 30 September 2016 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.

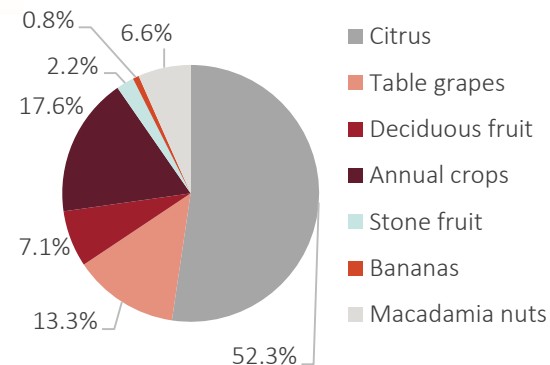
This investment offers extensive expansion opportunities in a highly sought after grapefruit and lemon production region.

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

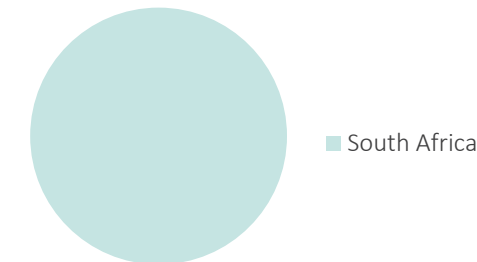
Northern Cape Grape Farms is a consolidation of three table grape farms in the Northern Cape province, bought in August 2011.

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

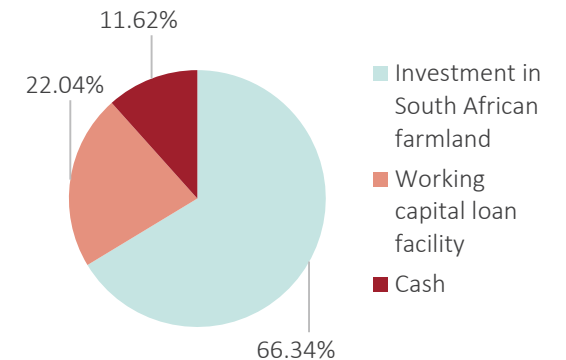
Planned crop allocation (Ha)



Country exposures



Asset allocations



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Marble Hall investment

Acquisition date	December 2010	Total farm size	936 ha (including natural lands)
Investment period	10 years	Primary production and infrastructure area combined	714 ha (222 ha natural lands)
Primary crop	Citrus	Property SPV	Royal Dawn Farming (Pty) Ltd
Region	Limpopo, bordering Mpumalanga	Individual farm names	Somerhoek, Loskop, Elandsdrift
Farm overview	<p>The Marble Hall investment is a consolidation of three citrus farms, in in the province of Limpopo, bordering Mpumalanga. This investment provides a solid footing in citrus farming which supplies both the local and international markets. At the outset, this farm was identified as having good expansion potential. New trees planted through the Fund's expansion programme start bearing fruit after three years and reach their peak in eight to nine years. This means that the new orchards will be in prime condition when the Fund is ready to dispose of the farm on exit, when the return on the investment will be realised.</p>		
Farm performance¹	<p>The dry season has persisted and the farm has continued to have no rainfall. The farm is using all its water on the orchards and has not planted any cash crops. The water restrictions have continued as before. The Fund's investment committee approved the proposal to purchase water from the Fund 2 farms in order to secure the 2017 crop in the event of no early summer rains,</p> <p>As previously stated, the main focus in the second and third quarters was the picking of the citrus crop. Harvesting progressed well and pack-outs in excess of 70% for the export market were achieved, compared to 55% exported in past seasons. Remarkably, the total of over 627 000 cartons was the largest crop that the farm has exported to date. The previous largest export crop was 421 000 cartons in 2013.</p> <p>Fertilisation and pruning for the new season is progressing well.</p>		
Expansion update	The double line drip irrigation system on the new plantings has been completed. This was the last of the development projects on this farm.		
Site visits during the quarter	13-15 September 2016.		

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	Total farm size	3 183 ha (including natural lands)
Investment period	10 years	Primary production and infrastructure area combined	222 ha (2 961 ha natural lands)
Primary crop	Table grapes	Property SPV	Matlotlo Trading 27 (Pty) Ltd
Region	Northern Cape	Individual farm names	Onderstepoort, Nuweland, Oranjestroom
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. This investment provides a foothold in early season table grapes which 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. The new hectares planted through the Fund's expansion programme will almost double the number of grape vines on the farm, thereby maximising the productive use of the land and the economic benefits that will flow from this.</p>		
Farm performance¹	<p>The local water authority confirmed that the reported water restrictions do not presently apply to the Lower Orange River region. Farms pumping water from the channel systems may be challenged if there is no rainfall before the end of the year. This will only affect the Fund's Nuweland farm, which may experience a 15% reduction in volume. The quality of water always suffers when there is no inflow. At present, drinking water needs to be purified, but the water quality is still good enough for irrigation. Activities during the quarter included pruning of the later grape varieties, and spraying, weed control and fertilising of the early varieties. By the end of the quarter, preparations for the forthcoming harvest were in full swing.</p>		
Expansion update	<p>At Oranjestroom, the netting on block 2 has been completed and extra pack stations in the packhouse have been added. At Nuweland, the first harvest of the new cultivar planted on 12 ha in 2015 is eagerly awaited. At Onderstepoort, work on the netting continued and packhouse doors were repaired.</p>		
Site visits during the quarter	26-29 September 2016.		

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Piketberg investment

Acquisition date	November 2011	Total farm size	1 035 ha (including natural lands)
Investment period	10 years	Primary production and infrastructure area combined	147 ha (888 ha natural lands)
Primary crop	Deciduous and stone fruit	Property SPV	Salestalk 173 (Pty) Ltd
Region	Western Cape	Individual farm names	Stawelklip, Voorstevlei, Hochland
Farm overview	The Piketberg investment is a consolidation of three deciduous and stone fruit farms in the Western Cape. This property has a unique micro-climate, which is ideal for fruit trees and allows the farm to yield prime quality produce at early to market peak-price times. The farm had been under liquidation for two years and was in a state of neglect when the Fund purchased it. Considerable effort has gone in to tidying the farm and bringing operations up to acceptable standards. With its attractive setting in the Piketberg mountains, this farm is now one of the Fund's most picturesque investments.		
Farm performance¹	The water situation on Stawelklip looks much better compared to this time last year and there should be sufficient water for the season. At Voorstevlei, water is still being pumped to fill the dams. Three new boreholes (two at Voorstevlei and one at Hochland) will ease the pressure on these properties in the coming season. Three old boreholes (two at Hochland and one at Voorstevlei) were cleaned and will be delivering water for the season. During the quarter 54 718 cartons of citrus were packed for other farms. The blossom on the fruit trees is looking promising and the season is expected to start about ten days earlier than last year.		
Expansion update	All the remaining development items are on track. During the quarter work was done on the aftercare building at Voorstevlei and the Stawelklip packhouse.		
Site visits during the quarter	27 July; 2, 22 September 2016.		

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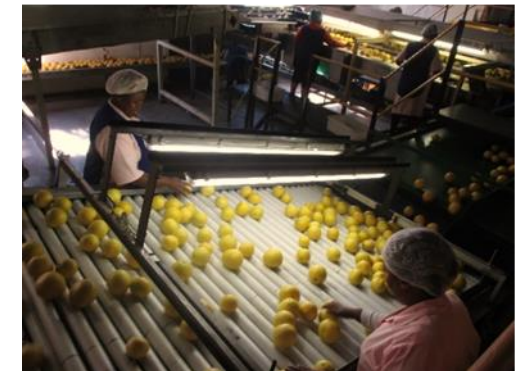
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Eshowe investment

Acquisition date	January 2014	Total farm size	714 ha (including natural lands)
Investment period	7 years	Primary production and infrastructure area combined	407 ha (307 ha natural lands)
Primary crop	Citrus	Property SPV	Cedarpoint Trading 21 (Pty) Ltd
Region	KwaZulu Natal	Individual farm names	Mvubu, Bridgeford, Sunnyside, Thabile
Farm overview	The Eshowe investment is a consolidation of four farms situated in the Nkwalini Valley of KwaZulu Natal approximately 150 km from the Durban Harbour. The sub-tropical, summer rainfall area is suitable for the cultivation of citrus, macadamias and bananas. The investment also offers extensive expansion opportunities in a highly sought after grapefruit and lemon producing region. The planting of new citrus orchards and replacement of unproductive old orchards with lemons, bananas and macadamia nuts is expected to produce considerably better yields for the farm by the end of the Fund term, when the return on this investment will be realised.		
Farm performance¹	The water situation in this region is dire. The supply canal is currently running for three days a week from Monday to Wednesday, and with only 20% of the scheduled water allocation. The supply dam is currently at 17% of capacity and only has water to last until the end of November, should there be no rainfall before then. 61 290 cartons were packed in July and 3 010 in August. Other farm activities during the quarter included completion of the pruning, spraying and sanitation, and all planned fertilisation is up to date.		
Expansion update	Work continued on the Mvubu pump station. The final irrigation installation on Mvubu is underway. All new irrigation on Bridgeford was completed, with new mainlines to existing orchards still to be done. Work at Sunnyside will follow with a 3 ha irrigation installation and a new mainline to be completed.		
Site visits during the quarter	26 September 2016.		

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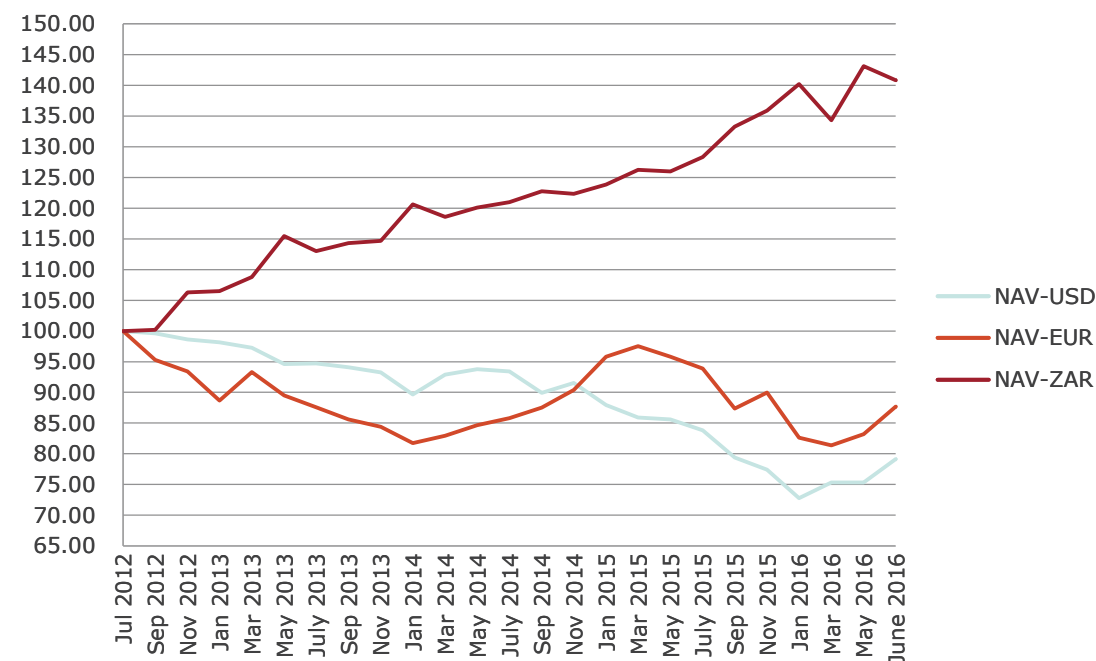
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Fund performance

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 received a distribution from the underlying SA Farmland investments and the ZAR currency strengthened against the US Dollar, which resulted in the positive performance.

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SA Fund performance

The SA fund delivered a return of 1.61% this past quarter and 8.19% over the past year. The investment performance of the Fund reflects 7.29% per annum for the period since inception.

It must be noted that investments in the SA fund are long-term in nature and the fund's mandate is to deliver a maximum return on exit, ten to twelve years from inception. This will primarily be achieved through increasing the value of the farms over the fund term. These types of investments tend to be capital intensive in the early years while expansion is completed.

Operators also only start paying lease fees on new plantings when these start producing crops. Therefore, return expectations during the first few years tend to be lower but as time progresses the returns follow a J-curve.

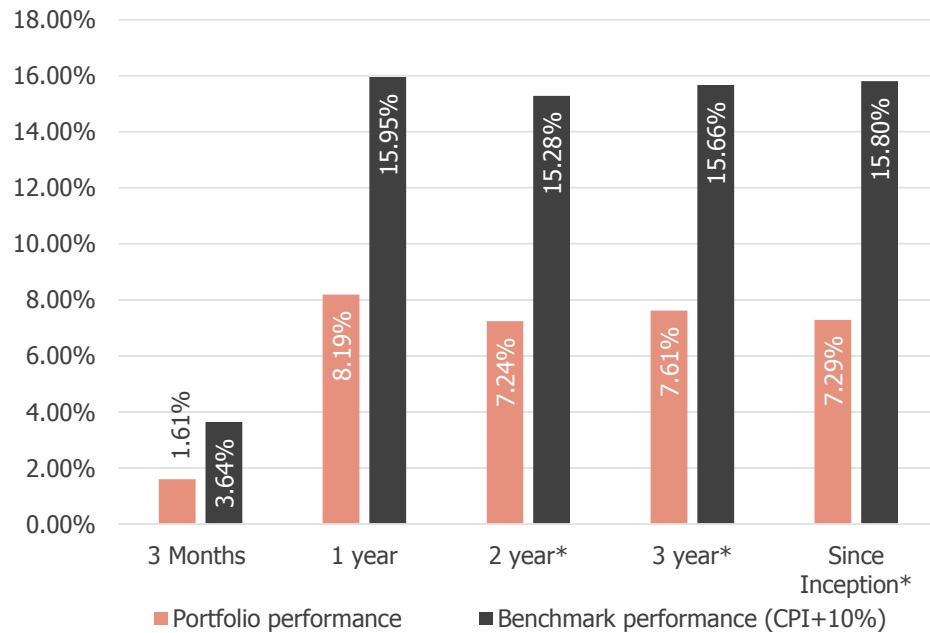
The J-curve effect is less pronounced than private equity investors are accustomed to, due to the lease income stream generated by the farmland assets after their acquisition.

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.

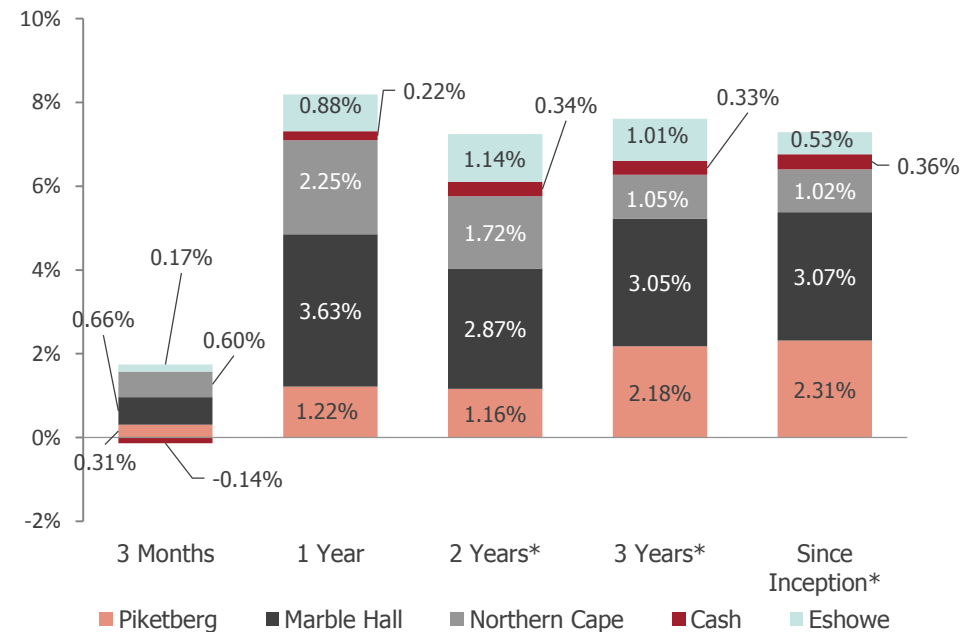
The returns during the quarter were attributable to the lease fee income net of costs.

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

SA fund level returns (ZAR denominated)



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 30 September 2016:	56	142	136	118	452
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 30 September 2016:	60	0	104	127	291
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0	0
	At 30 September 2016:	361	609	231	243	1444
Employees receiving adult education	At take-on:	0	0	0	9	9
	At 30 September 2016:	16	49	11	8	84
Employees receiving management training	At take-on:	0	0	0	0	0
	At 30 September 2016:	11	32	0	0	43

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.

Marble Hall												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Navels												
Valencias												
Lemons												
Job trends (permanent plus seasonal)												
Northern Cape Grape Farms												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
White seedless grapes												
Black seedless & white seeded grapes												
Red seedless grapes												
Job trends (permanent plus seasonal)												
Piketberg												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Apples												
Pears												
Peaches & nectarines												
Job trends (permanent plus seasonal)												
Eshowe												
Season	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Grapefruit												
Lemons												
Navels												
Macadamias												
Bananas												
Job trends (permanent plus seasonal)												

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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

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Contact information and disclaimer

Futuregrowth Asset Management

Smital Rambhai

3rd Floor, Great Westerford, 240 Main Road,
Rondebosch, 7700

Tel + 27 21 659 5300

Fax + 27 21 659 5337

srambhai@futuregrowth.co.za

www.futuregrowth.co.za

UFF Agri Asset Management

Duncan Vink, CFA

30 Hudson Street,
Cape Town, 8001

Tel + 27 21 421 2129

Fax + 27 21 421 0510

duncan.vink@uff.co.za

www.uff.co.za

Disclaimer

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

Futuregrowth Asset Management (Pty) Ltd ("Futuregrowth") is a licensed discretionary financial services provider, FSP 520, approved by the Registrar of the Financial Services Board to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. The fund values may be market linked or policy based. Market fluctuations and changes in exchange rates may have an impact on fund values, prices and income and these are therefore not guaranteed. Past performance is not necessarily a guide to future performance. Futuregrowth has comprehensive crime and professional indemnity in place. Performance figures are sourced from Futuregrowth and I-Net Bridge.

The Fund quarterly report is for information purposes only and is not intended as an offer or recommendation to buy or sell or a solicitation of an offer to buy or sell a financial product or security. The recipient is advised to assess the information with the assistance of an advisor if necessary, with regard to its compatibility with his/her own circumstances in view of any legal, regulatory, tax and other implications.

The Fund quarterly report is expressly not intended for persons, who due to their nationality or place of residence are not permitted access to such information under applicable law. Neither the Fund quarterly report nor copies thereof may be sent to the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a U.S. person. Neither the Fund quarterly report nor copies thereof may be sent to the United Kingdom, or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a citizen of the United Kingdom.

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

PO Box 878, Cape Town, 8000
Tel: +27 21 509 5022, Fax: +27 21 509 4663
www.omigsa.com

Mutualpark
Jan Smuts Drive, Pinelands
7405, South Africa

