

Old Mutual African Agricultural Fund (Luxembourg) - SICAV

Quarterly report

December 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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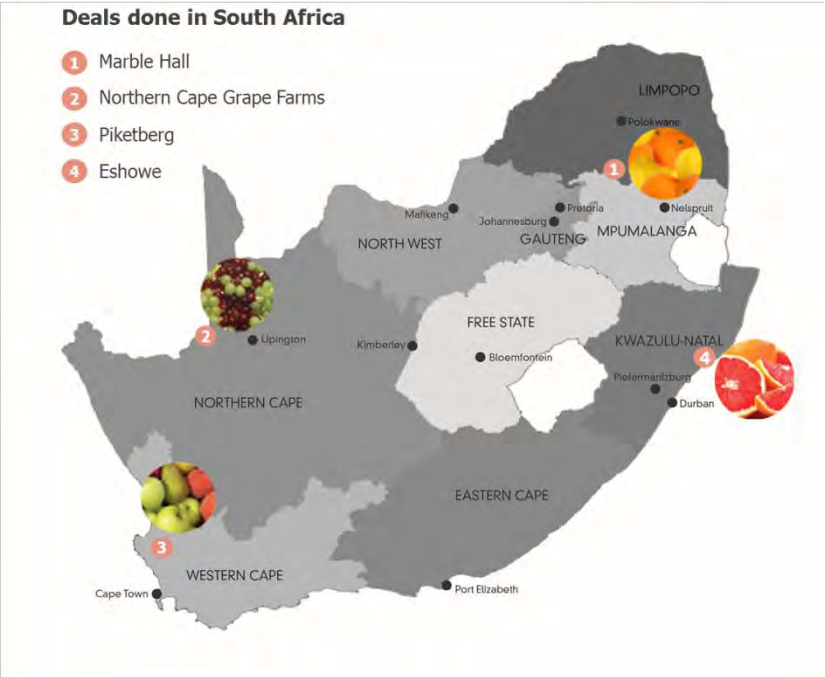
Summary

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)	In this quarter, both our Piketberg and Northern Cape Grape Farms had a good start to their harvesting seasons. Improvements to farm management and worker employment opportunities have been implemented at Piketberg. The water situation in Eshowe continues to be dire; however our farm has managed to endure this hardship unlike many others in the region. Some rain fell in Marble Hall, which has improved the outlook going forward.
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 5.42% 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 December 2016	USD 87.52
Total farm workers impacted	During the quarter 306 workers received pre-paid healthcare; 2 023 workers had access to HIV/AIDS services; 82 workers received Adult Education (AET); and 13 workers received management training.

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Fund overview



As at 31 December 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.

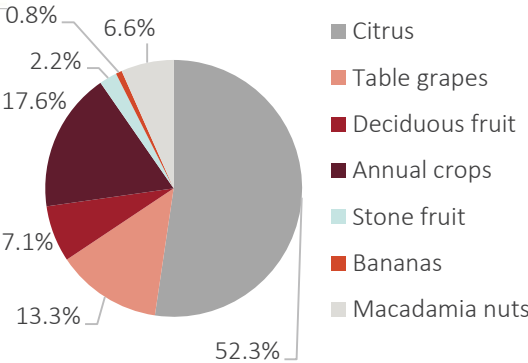
This investment offers extensive expansion opportunities in a highly sought after grapefruit and lemon production region.

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

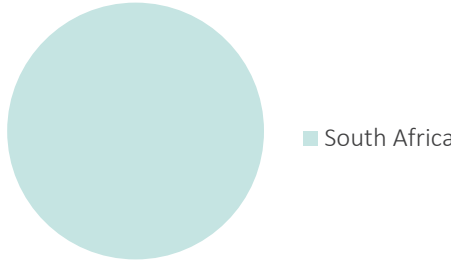
Northern Cape Grape Farms is a consolidation of three table grape farms in the Northern Cape province, bought in August 2011.

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

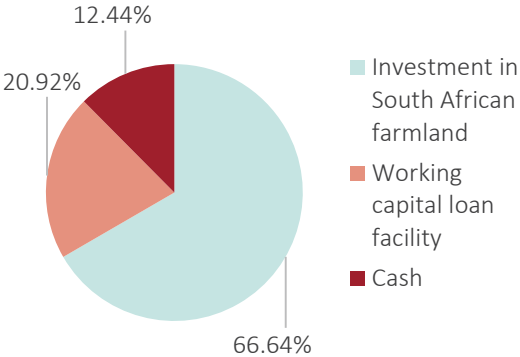
Planned crop allocation (Ha)



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	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.		
Farm performance ¹	The farm had more rain during the quarter than this time last year (80mm in October, 100mm in November and 120mm in December), which is in line with a typical season. The Loskop Dam level is at 52% so there are no plans as yet to have 2016/17 irrigation quotas increased. As approved by the Investment Committee, additional water was bought into this farm from the Fund 2 Marble Hall cash crop farm. With the good rains to date, there is four weeks' more water available than previously calculated, i.e. enough to last until the end of February 2017. If the predicted higher rainfall for the first quarter in 2017 materialises the farm will be able to enter the 2017 production season with confidence. During the quarter, an incident of hail was reported which affected a small area around the packhouse.		
Expansion update	The planned development programme has been completed. Subsequently, approval was obtained for debt financing for netting over the orchards, which will be installed in the first quarter of 2017.		
Site visits during the quarter	28 October 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.



The new onsite wellness centre

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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	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.		
Farm performance ¹	There was no rain during the quarter, with temperatures in the normal range. A 15% water restriction was implemented on the Boegoeberg dam irrigation system, but this will still be sufficient for normal irrigation on the farm in the post-harvest period. Harvesting commenced in late November, with an average of 4 600 cartons/ha of the Prime variety grapes, 3 600 cartons/ha of Ralli, 3 600 cartons /ha of Sugratwelve and 4 600 cartons/ha of Sugraone grapes being picked. At quarter end the farm was still harvesting the Autumn Royal, Red Globe and Magenta varieties.		
Expansion update	Most of the work during the quarter focused on improvements to the packhouse and worker accommodation, in order to achieve BRC and SIZA accreditation. Work on the netting over the vineyards continued and this is now about 90% complete on all of the farms.		
Site visits during the quarter	No farm visits took place during the quarter.		

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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 performance ¹	The season started well with peaches being packed throughout the quarter. The fruit size, quality and volumes have all improved compared to previous seasons. The farm management team has been enhanced with the replacement of the General Manager and Packhouse Manager. A rooibos tea producer has been contracted to plant Dryland rooibos tea on some of the open areas on Voorstevlei. A BEE entity has also been given the rights to cut wild flowers on all the farm properties. These contracts fall within the lease agreement with the operator and do not require any EIA or other permissions, and assist in providing additional employment for farm workers during low seasons. The farm has enough stored water to see the current crops through to the rainy season.		
Expansion update	Work on the expansion projects has slowed down with the start of the harvesting of the 2016/17 crop. The main focus was on getting the fruit sizers in the packhouse reconditioned and ready for the new season. Most of the worker housing has been refurbished and occupation took place during the quarter.		
Site visits during the quarter	15 November 2016.		

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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 performance ¹	The water situation in this catchment area has worsened and the dam has only about 18.5% water in it compared to 29.6% at the same time last year and the area has not experienced any rainfall relief. In spite of these extreme conditions the Fund's farm is one of the few that has managed to keep going, with the new pump stations along the river and new borehole alleviating the situation. Furthermore, the removal and grafting of most of the trees will reduce the water requirement for at least the next two years.		
Expansion update	The only expansion project still outstanding is the planting of the macadamia nuts. It has been decided to delay this project until late summer/early autumn in 2017 in order to avoid the extreme heat of summer and to ensure there is sufficient water for the planting. In the interim the trees are being held at a nursery in Limpopo.		
Site visits during the quarter	No farm visits took place during the quarter.		

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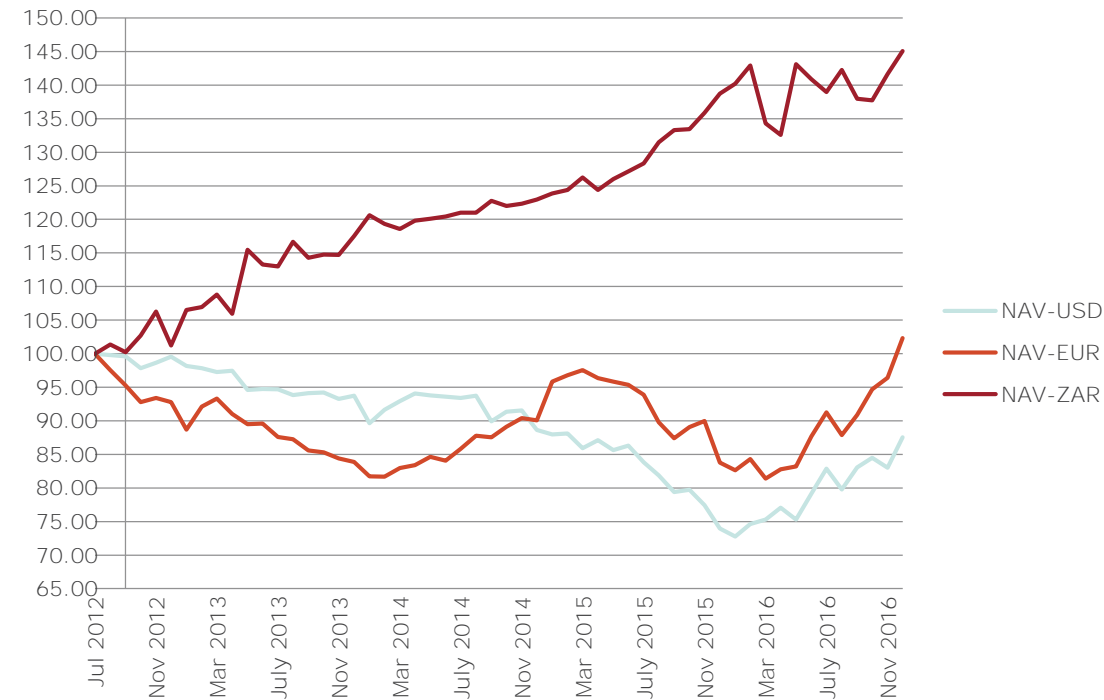
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Fund performance

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 NAV increased by 5.34% during the quarter. An independent external valuation was completed on the farms owned by FG Agri Fund I, which resulted in a capital appreciation. This again demonstrates that the underlying investments are adding positive value to the Fund.

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SA Fund performance

The SA fund delivered a return of 6.42% this past quarter and 13.50% over the past year. The investment performance of the Fund reflects 8.13% per annum for the period since inception.

Independent valuations on all farmland investments were made over the quarter. The value of the property company invested in Marble Hall rose by 11.9% over the quarter. There were material increases in the value of the orchards with new plantings coming into production. There were also material increases in the value of water rights and irrigable land.

The value of the property company invested in the Northern Cape Grape Farms increased marginally by 0.3% over the quarter. The young vineyards are still achieving low values as the independent valuer only allows for an optimal value in year five of their valuation model. Some cultivars have not preformed as expected and have been replaced at the cost of the operator by more desirable cultivars.

The value of the property company invested in Piketberg declined by 1.9% over the quarter. Despite a fair value gain on the land, this was offset due to the application of depreciation on the biological assets, which was promulgated by a change in accounting rules. Biological assets that meet the definition of bearer plants now fall within the scope of IAS 16 Property, Plant and Equipment and are subject to all the requirements therein.

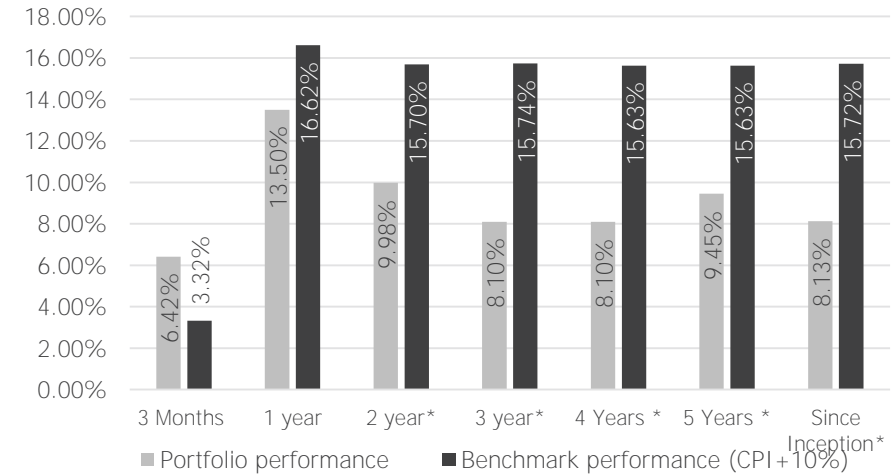
The value of the property company invested in Eshowe rose by 5.8% over the quarter. The positive returns were due to an increase in the value of the orchards and the fallow land that had undergone preparation work.

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.

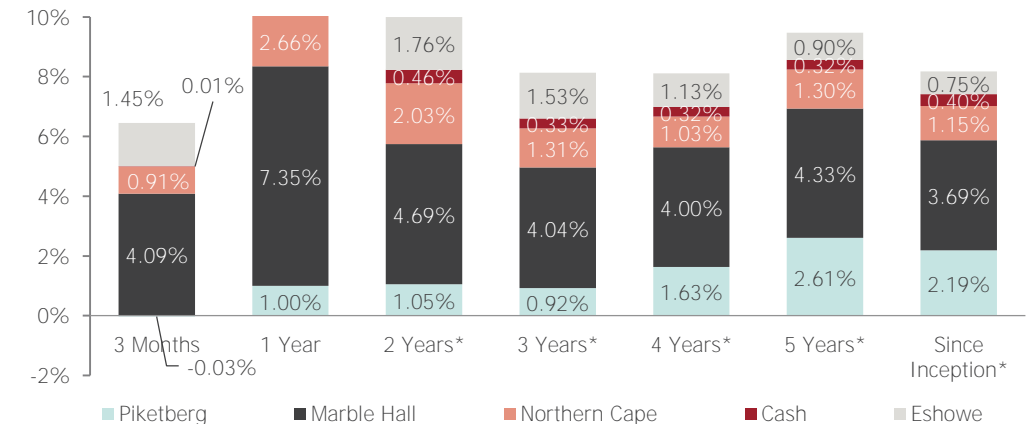
The returns during the quarter were attributable to the lease fee income net of costs. The performance calculation is based on the daily time weighted returns methodology.

SA fund level returns (ZAR denominated)



* Annualised

Farm level returns



* Annualised

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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 31 December 2016:	58	77	109	110	354
Seasonal workers*, depending on season	Currently, up to:	450	950	520	440	2 360
Projected new jobs (permanent & seasonal), due to expansion	Projected new jobs:	300	465	100	212	1 077
Employees with access to pre-paid primary healthcare	At take-on:	0	0	0	0	0
	At 31 December 2016:	61	0	104	141	306
Employees with access to HIV/AIDS services	At take-on:	0	0	0	0	0
	Currently, up to:	508	1027	256	232	2 023
Employees receiving adult education	At take-on:	0	0	0	9	9
	At 31 December 2016:	14	39	25	4	82
Employees receiving management training	At take-on:	0	0	0	0	0
	At 31 December 2016:	8	1	4	0	13

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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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.

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