



PRESS RELEASE

AFRICAN AGRICULTURE FUND FIRST CLOSES ON US\$ 135 MILLION

29 November 2010

The African Agriculture Fund (AAF), a private equity fund designed to respond to the food crisis that severely impacted the continent in 2008 in the wake of escalating food prices, reached its first closing at US\$ 135 million in November 2010.

AAF investment thesis primarily lies in food production, processing and distribution in cereals, livestock farming, dairy, fruit and vegetables, crop protection, logistics, fertilizers, seeds, edible oils, smallholders and agri services. To achieve optimal diversification within the sector, the Fund will invest across the value chain (from primary production to processing and tertiary services) and pan-Africa. The Fund will make investments of up to US\$ 20 million per Portfolio Company, targeting entities with robust management and growth prospects. The Fund aims to support private sector companies that implement strategies to enhance and diversify food production and distribution in Africa by providing equity funding including strengthening the management and modernisation of the agricultural sector on the continent.

To enhance its impact on development, the Fund has deployed two powerful instruments: a dedicated SME sub fund of a target size of US\$ 60 million (initially US\$ 30 million) and a Technical Assistance Facility (TAF) of €uro 10 million, to support outgrower schemes in large companies and business development services in SMEs.

The support to AAF, whose total target size is US\$ 300 million, is part of a coordinated response of a pool of European DFIs, with the Agence Française de Développement (AFD), the Spanish Agency for International Development Cooperation (AECID), Promotion et Participation pour la Coopération économique (Proparco) and International Fund for Agricultural Development (IFAD); on one hand and, on the other hand, African DFIs, with the African Development Bank (AfDB), the Development Bank of Southern Africa (DBSA), the West African Development Bank (BOAD) and the ECOWAS Bank for Investment and Development (EBID), as limited liability partner investors. The International Fund for Agricultural Development (IFAD) will manage the Technical Assistance Facility for which core funding has been committed by the European Commission with the contribution of the Alliance for a Green Revolution in Africa (AGRA) and the Italian Cooperation.

To fight African agribusiness and agriculture's chronic undercapitalisation, the Fund is equipped with an innovative mechanism designed to attract private sector capital. Lead investors such as AFD and AECID, together with BOAD and EBID have pooled their shares into a first loss risk taking mechanism that will provide private investors into AAF with an accelerated return.

Phatisa are the Fund Managers, which comprises a team of seasoned professionals with a depth of experience in both private equity, fund management and the agricultural sector across Africa. Phatisa is led by Duncan Owen and Stuart Bradley, with Valentine Chitalu as its Chairman. The Group has offices in Mauritius, Zambia, Kenya, South Africa and in the process of being established in West Africa.

The Fund will also operate according to a Socially Responsible Investment (SRI) Manual that features an environmental and social risk management system, guidelines for an optimal use of the technical assistance facility and, for the first time in agribusiness private equity, a Code of Conduct for Land Acquisition and Land Use in agricultural and agribusiness projects to prevent unsustainable practices.

“With food security such a crucial issue across Africa, the AAF will make equity finance available for African agricultural companies,” says Valentine Chitalu, Chairman of Phatisa Group. “We welcome all the investors’ significant contributions to Africa's economic development and long-term prosperity.”

During the first closing procedures, Duncan stressed that “the commercial success of this new African food fund is critical for both the Fund’s international investors and for the future of agriculture as a whole in Africa.”

AAF Promoters were advised by a legal team led by Gide Loyrette Nouel (Stéphane Puel, partner and Julien Vandebussche) comprising Africa Legal (Lance Roderick, partner and Louise Campion) and Muhammad Uteem Chambers.

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(Words 636)

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