



FREQUENTLY ASKED QUESTIONS | AAF

What is the relationship between AAF and Phatisa?

The African Agriculture Fund (AAF) is a limited life company (LLC) incorporated in Mauritius. Phatisa Fund Managers Limited, incorporated in Mauritius, is the discretionary fund manager of the AAF and is responsible for the investment, monitoring value addition and the realisations of AAF.

Who are AAF's investors?

The Fund's investors include a diverse group of multinational development finance institutions, European and Western governments, African and international financial institutions, African development banks, fund-of-funds and private investors, alongside Phatisa.

What kind of African businesses does Phatisa Fund Managers invest in on behalf of the AAF?

The Fund's priority investments are in food production and distribution in cereals, livestock farming, dairy, fruit and vegetables, beverages, FMCG food, crop protection, logistics, fertilisers, seeds, edible oils, smallholders, and agri services in Africa, with a focus on sub-Saharan Africa.

Can Phatisa assist with drawing up a business plan and proposal?

We firmly believe that the company/owner/management team applying for investment should initiate, drive, finalise and take ownership of the documentation required to make a successful fund application.

Are there any special conditions that apply when Phatisa considers investment in a venture?

Yes, specific conditions that generally apply when considering funding include the following:

- Phatisa invests only in agriculture, food businesses and the food value chain (excluding: biofuels, timber and alcoholic beverages).
- We only invest in African countries.
- We do not invest in informal or micro enterprises, or SME companies looking for an investment less than US\$ 5 million.
- We will not consider seed capital, short term bridging or debt finance.
- We have a commercial approach and only support commercially sustainable businesses with a proven track record.
- We do not provide grants or soft loans.
- Companies in which we invest must adhere to social and environmental codes of conduct.

Is there any funding available for small to medium enterprises?

AAF set aside US\$ 30 million for SME development through the AAF SME Fund, a sub-fund independently managed by Databank Agrifund Manager Limited (DAFML). www.dafml.com

What are the AAF SME Fund's investment criteria?

The AAF SME Fund Manager, DAFML, seeks to invest in companies that satisfy the following criteria:

- a minimum investment requirement of US\$ 0.15 million and maximum of US\$ 4 million;
- no more than 300 permanent employees; and
- a net asset value of no more than US\$ 15 million.

How long does it take to approve an investment?

Phatisa aims to be responsive and following an application for funding we will quickly advise you whether the opportunity fits our investment strategy.

> Private Equity Fund Managers

> African Agriculture Fund

> Pan African Housing Fund

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We apply a rigorous pre-investment process; every new investment opportunity will initially be evaluated by us. The due diligence process and time required is largely driven by the applicant and depends on the quality of the initial proposal, as well as the experience and effort put in by the management team.

If a prospective investment is deemed of sufficient merit, a screening paper is prepared for circulation to the Investment Committee. An investment will not be recommended unless its investment rationale can be clearly defined and documented.

The screening process allows Phatisa to make an informed decision quickly and give prompt feedback to the potential investee, company or sponsors.

Recommendation by the Investment Committee and Phatisa Fund Managers' final board approval triggers the legal implementation of the transaction.

Does Phatisa become a shareholder in the company?

The Fund seeks to buy majority and significant minority interests in potential portfolio companies, where it seeks to have meaningful shareholder rights.

Will Phatisa require board representation in its portfolio companies?

While respecting management's operational independence, which includes the day-to-day running of the portfolio company, Phatisa wants to be involved in the business objectives and strategy, as well as ensuring good corporate governance. Our priority is to create long term value for all stakeholders and therefore go beyond simple representation in the capital of the company. The best way to achieve this goal is for Phatisa to have board representation, demonstrating a genuine involvement in the future of the company.

Beyond financing, what does Phatisa bring to a portfolio company?

The Fund's investment vision is to offer real added value to our portfolio partners, notably by assisting them in strategic planning and operational execution; screening and recruiting management team members and building management capacity; strengthening corporate governance practices and implementing financial controls; as well as positioning and preparing portfolio companies for a liquidity event.

Which exit strategies does Phatisa use?

One of the key criteria Phatisa considers when making an investment is the ability to achieve a liquidity event over four to seven years. The exit strategy is always well thought through in order to secure the combined interests of the Fund, the company, its founding members and management.

Exit strategies include the sale of the Fund's interests in portfolio companies to trade players, majority shareholders, local communities, secondary MBOs and listings on local exchanges, which are seeing increasing liquidity as asset management in Africa grows, in addition to dual listings, which improve fungibility.