

DUXTON ASSET MANAGEMENT

Africa: a Key Component in a Global Diversified Agri Portfolio

Investor's view on the potential of African agriculture and issues to be addressed in order to promote investment

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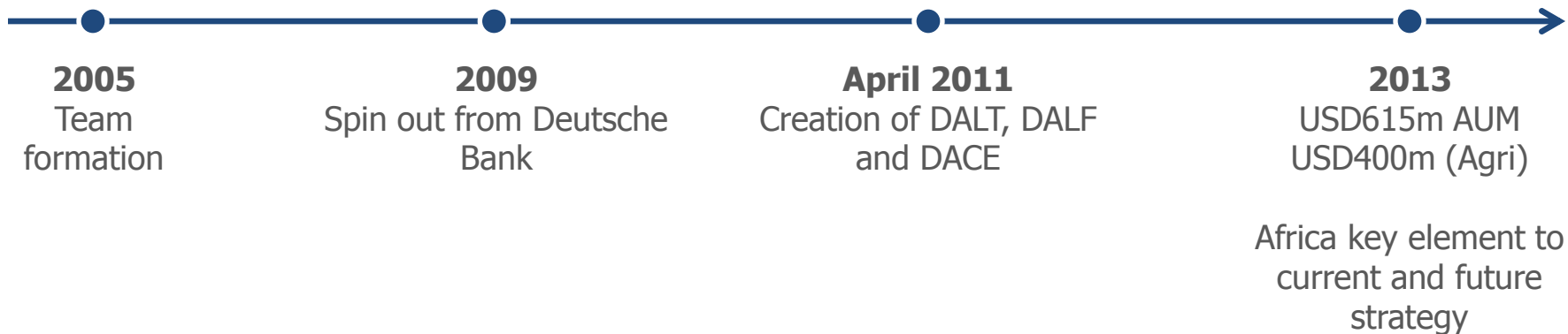
CARD Conference



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- Introduction: Duxton Asset Management
- Potential for African Agriculture
- Duxton in Africa
- Challenges for African Agriculture Investment
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Duxton Asset Management: Singapore based Asset Manager



Global leaders in Agri investment

14 Ag investments across 5 continents & 11 in final DD

Strict compliance/
responsible investing into farmland

Strong inst. client- base & investment process

USD 615m AUM(AUA) of which USD 400m is in Agriculture

Investments alongside our clients

We look beyond traditional information sources

Diversified: 14 Direct Agricultural Investments on 5 Continents



Africa: Specific Exposure to Central and Eastern Africa

DRC

- Plantation model leveraging on economies of scale

Rubber



Zambia

- Leased farm model
- Value of land holdings increased through advanced farming techniques
- Development of the Agri supply chain via inputs and trading

Cereals



Inputs & Trading



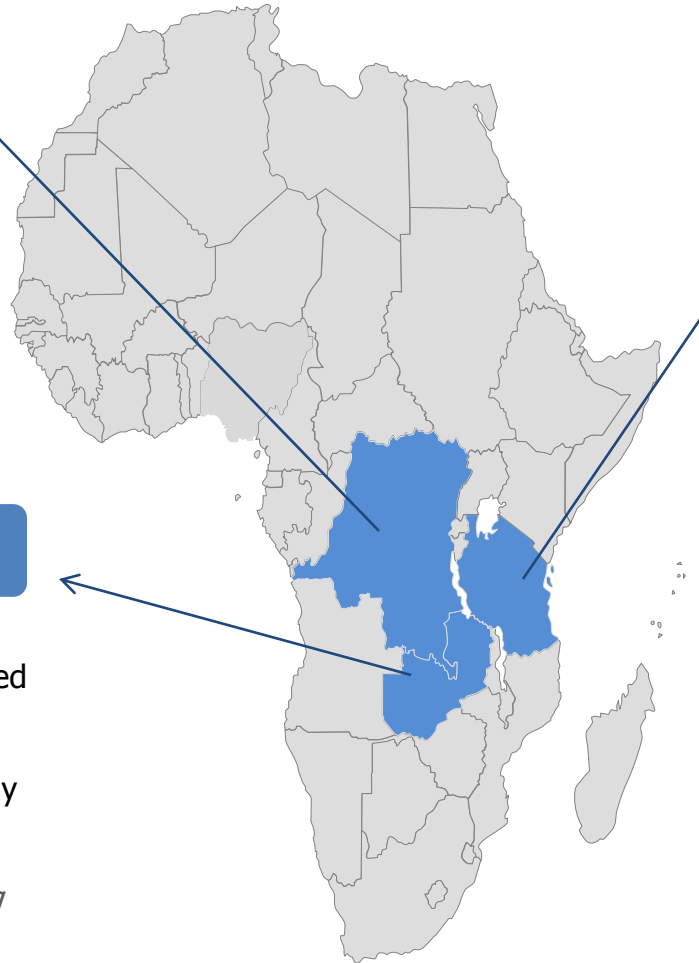
Tanzania

- Commercial farms with smallholder programs
- Import substitution strategy

Cereals



Rice



Africa is Growing Fast

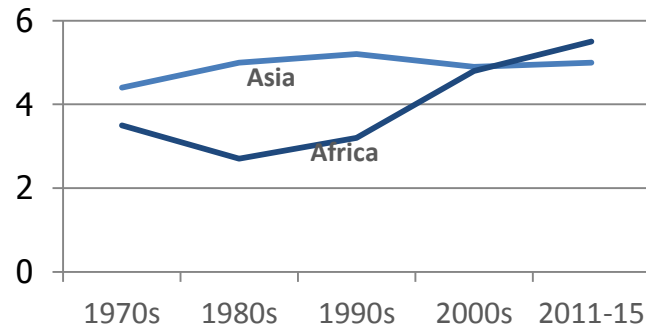
7 out of 10 fastest growing economies in the world are in now in Africa...

Ten fastest growing economies, 2011 to 2015, %

1 China	9.5	6 Vietnam	7.2
2 India	8.2	7 Congo	7.0
3 Ethiopia	8.1	8 Ghana	7.0
4 Mozambique	7.7	9 Zambia	6.9
5 Tanzania	7.2	10 Nigeria	6.8

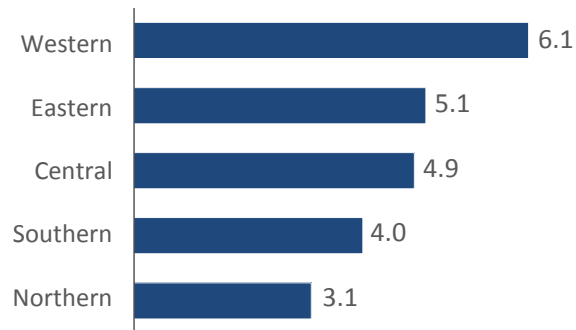
..and African growth is forecast to outpace that in Asia over next 3-5 years

GDP growth, unweighted annual average, %



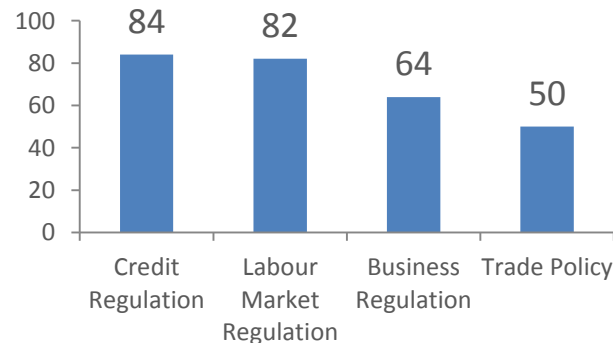
Growth is increasingly available across the continent...

2012 GDP growth by region, %



...whilst microeconomic reforms improve the business and risk environment

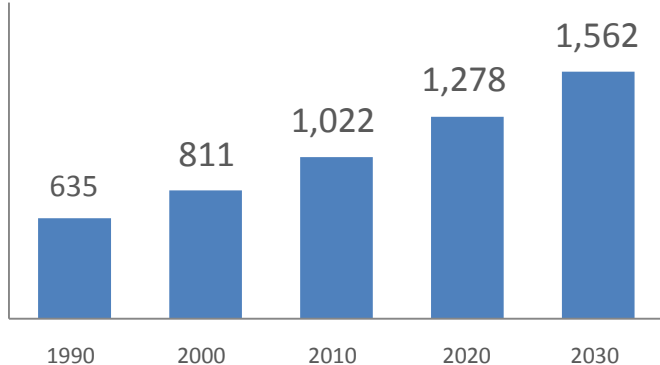
Share of African countries improving business metrics, %



Favourable Demographics Support Agricultural Growth

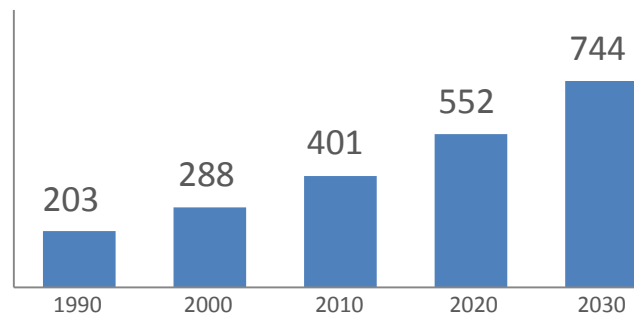
Growing population...

Africa Total Population, Million



...that is increasingly urbanised...

Africa Urbanised Population, Million



% of pop.

32

36

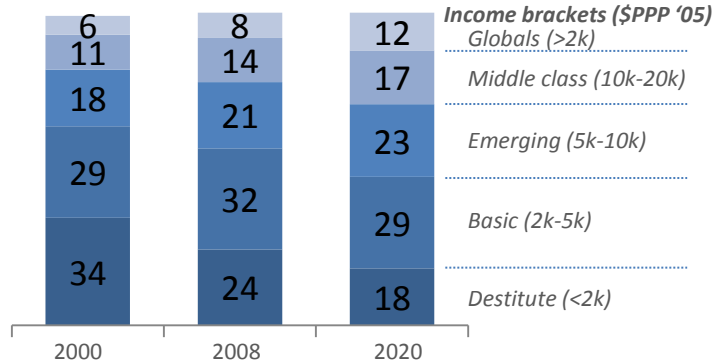
39

43

48

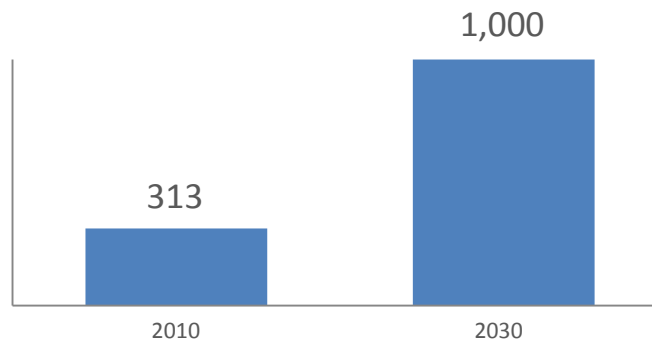
...with rising discretionary spending power...

Share of households in each income bracket, Percent



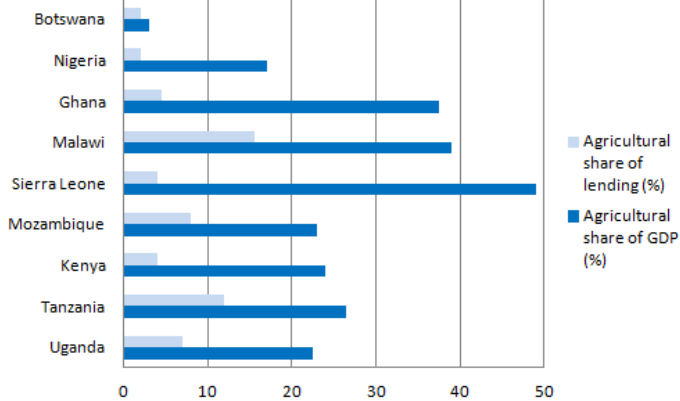
...supports major agricultural growth

Agriculture and agribusiness industry in Sub-Saharan Africa, US\$ billions



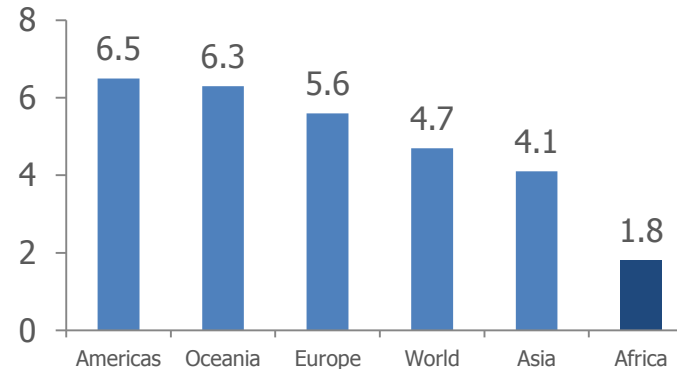
Investment to Drive the Growth Opportunity

A capital starved supply chain...



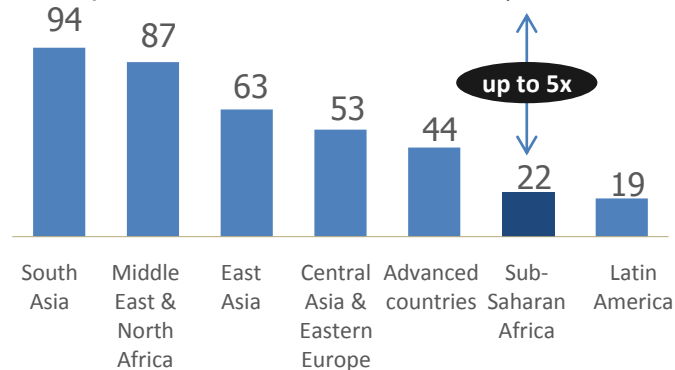
...with potential to grow yields 2-3 times

Average corn yields for 2000-2009, (tonnes/ha)



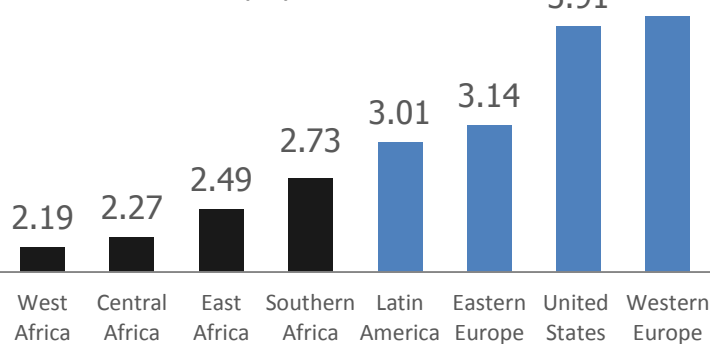
Very low utilisation of arable land...

Proportion of arable land currently farmed (irrigated and rain-fed), Percent of area suitable for rain-fed production



...and poor transport infrastructure

Transport Quality Worldwide Based on the Logistics Performance Index (LPI)



Source: FAO, World Bank LPI, 2007

Africa: A Pioneer's Risk-Return Tradeoff

Lack of depth in Industry

- Poor support in supply chain
- Input supplies – fuel/inputs/transportation
- High cost of doing business

Government regulation and interference

- Corruption
- Inadequate land titling
- Inefficient bureaucracy & tax regimes

Macro weaknesses

- Poor infrastructure
- Weak labour market
- Security

ESG

- Multi-stakeholder, smallholder industry
- Environmental risks of land development
- Poor corporate governance

How do we create a strategy in Africa which capitalizes on opportunities and mitigates risk?

Africa: Government's Role

Lack of depth in Industry

- Poor support in supply chain
- Input supplies – fuel/inputs/transportation
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Government regulation and interference

- Corruption
- Inadequate land titling
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Engagement and discussion with the private sector

Macro weaknesses

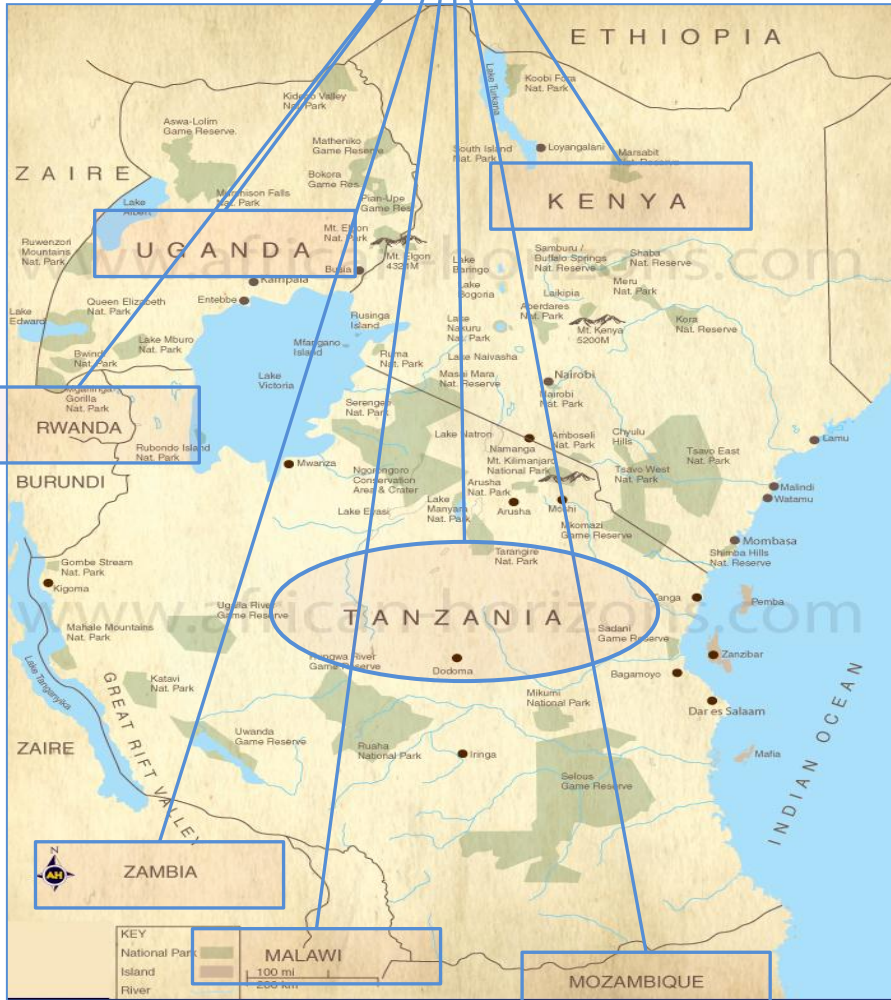
- Poor infrastructure
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ESG

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Investment Case Study: Food security and rice in Tanzania

Rice deficit of **966,000 MT** in 2012



Demand growth

Regional demand growth for rice as living standards improve in East Africa

Supply constraints

Fragmented smallholder farmers produce rice with limited inputs and low yields

Rising prices

Global rice prices have increased by a CAGR of 13% since 2000

Proximity to export markets

Rice sells at an additional premium in high-value export markets in Zambia and Malawi

Project Masewe: Rice from Africa for Africa



Large Scale Rice Project in Tanzania

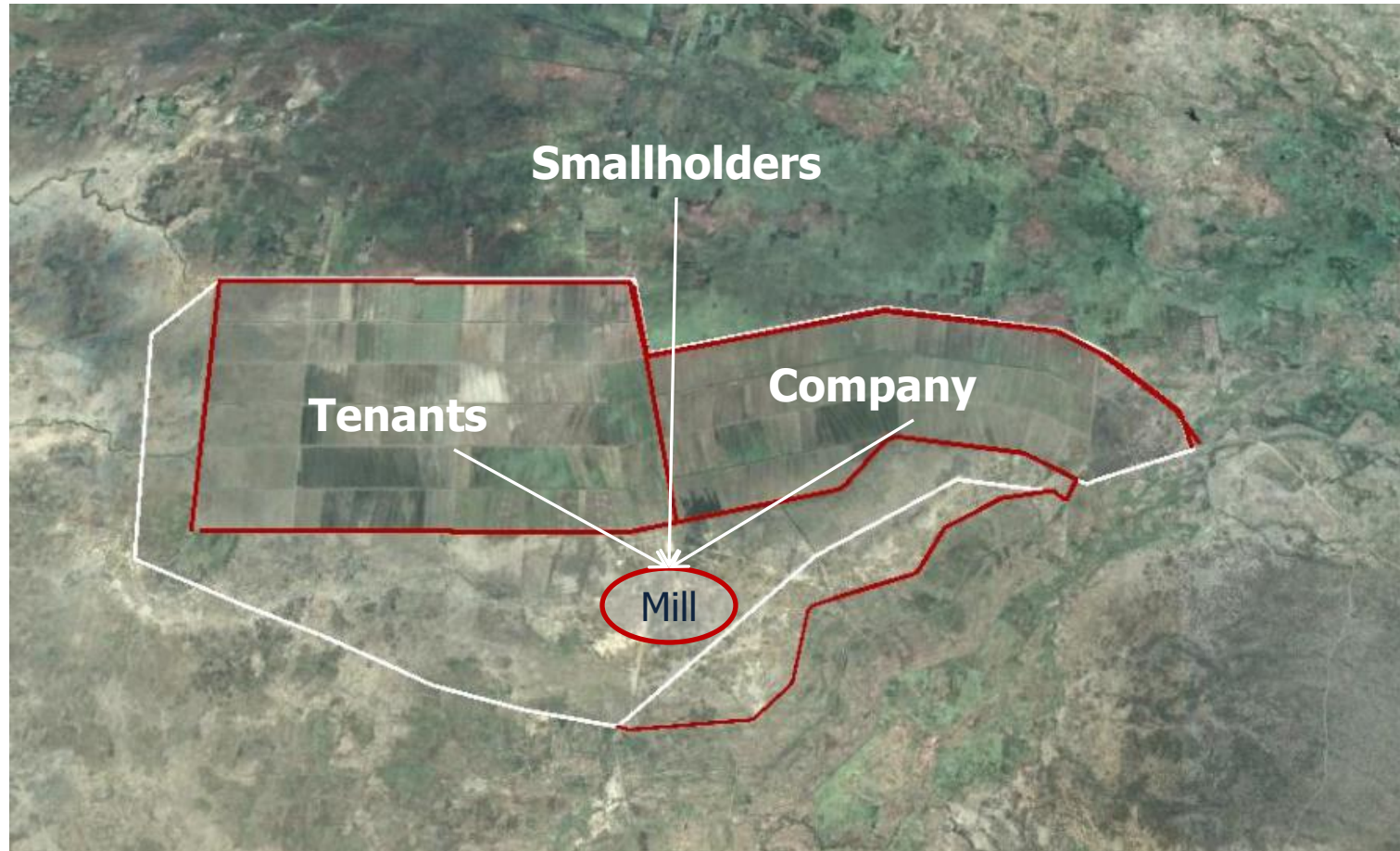
- 7,890 hectares commercial rice farm in South-Western Tanzania.
- A former World Bank investment in the 1980s, but fell into disrepair during state ownership
- Duxton has since invested USD 4.55m to enhance the productivity of the farm

Planned value drivers:

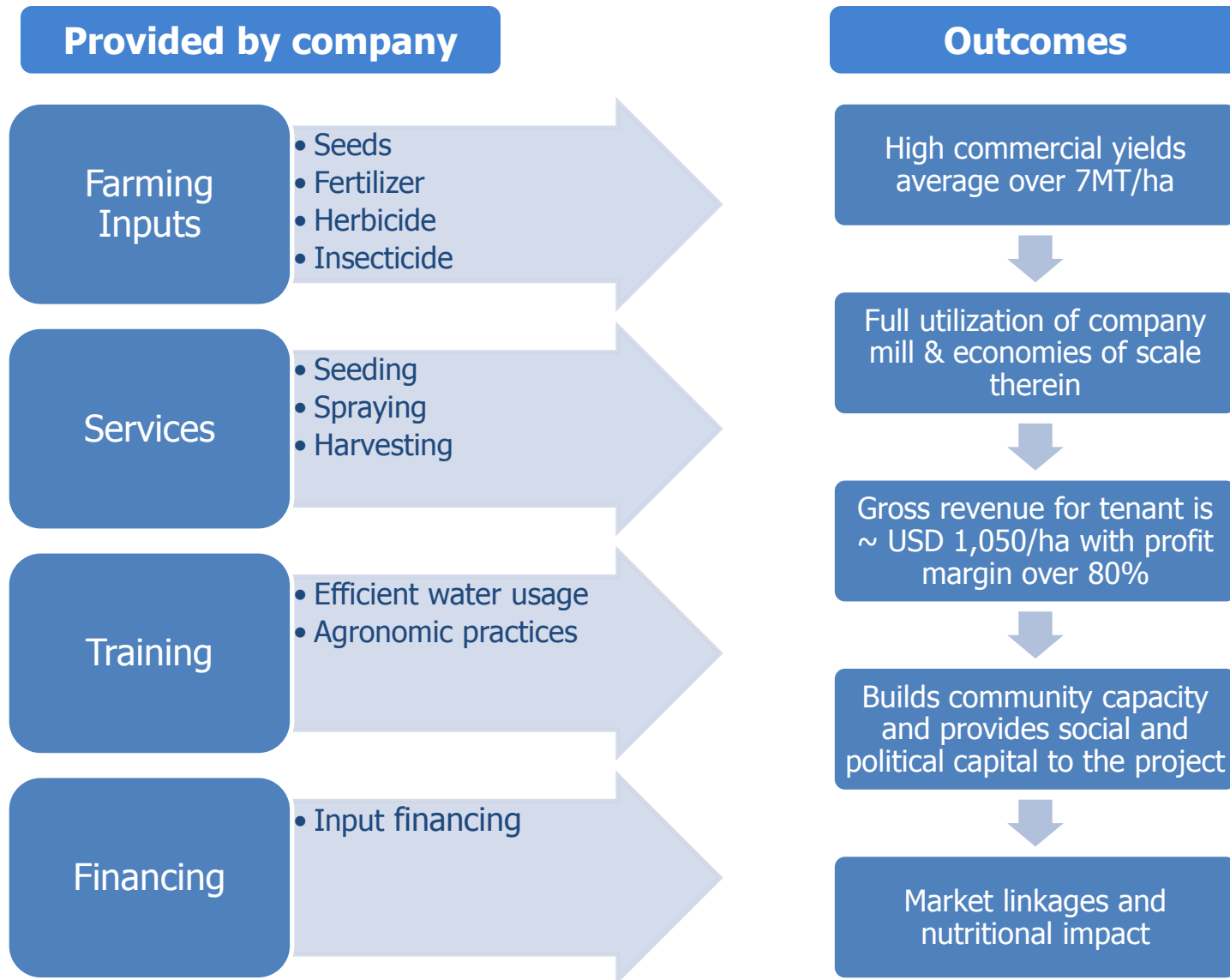
- Increase in planted area from 3,200 ha to 4,400 ha
- Increased sales premium due to investment in rice polisher and colour sorting mill technology
- Increased water efficiency due to changes in flood irrigation operations and land leveling
- Investment in improved seed varieties through cooperation with the International Rice Research Institute (IRRI)
- Investment in aerial seeding operation in order to speed up planting cycle, reducing costs and reducing water risk
- Sale of rice husk by-products as briquettes for local brewery operation



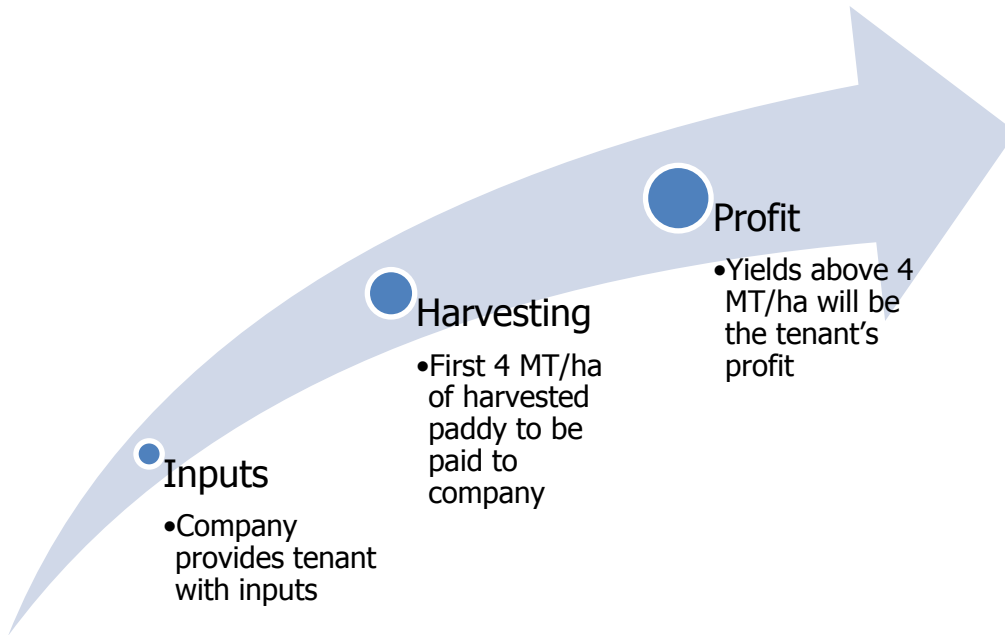
Project Masewe: Rice from Africa for Africa



Outgrower Production Model: A Commercial Solution



Outgrower Production Model: A Commercial Success



Success Story

- Ruth Damian Msigwa (pictured above) is a tenant participating in the company's outgrower program
- She achieved a yield of 8.2 MT/ha from her 6 ha block last season, a record for East Africa
- By selling her share of paddy, Ruth would be able to make approximately **USD 6,048** in profits, 20% higher than the average tenant

Project Masewe: Holistic Impact Investing

Project Masewe: An example of Duxton's holistic approach to socially responsible investing

Impact at the farm level

- Provision of services to tenant farmers
- Health and education services for children of labourers and local management staff, and children from the surrounding communities
- Direct and indirect unemployment
- Efficient water usage
- 450ha nature reserve created, allowing native bird species to breed
- Rules on environmental protection

Impact in the local community

- Road grading
- Canal maintenance for smallholders

Impact for external development partners

- Gates Foundation cooperation – chosen as model for cultivation and growing techniques
- Collaboration with Dutch Ministry of Foreign Affairs – chosen partner to train smallholder farmers in agricultural processes
- EVD Private Sector Investment Programme
- World Food Programme supplier
- Black Coucal research programme
- IRRI Seed programme

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