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Futuregrowth's **Development Equity Fund** (the "Fund") is an open-ended, unitised private equity fund focusing on investment in infrastructure, development, and social upliftment. At its core is the stance that developmental impact does not have to be at the expense of commercial returns. The Fund actively seeks investments in South Africa that have a meaningful impact while delivering a suitable risk-adjusted return to the investors in the Fund. This strategy has been borne out by the almost 16-year track record of a 14.83% return per annum since the Fund's inception in September 2006 – a performance on par with other commercially oriented, closed-ended private equity funds in South Africa. The Fund is an open-ended fund and has an unlimited life (an unusual concept for private equity). This structure has played out well in supporting our investees through different trading cycles and external events. Take our investment in Abagold, for instance. Futuregrowth identified Abagold in early 2015 as a developmental investment opportunity in the local aquaculture industry. Abagold is the pre-eminent farmed abalone producer in South Africa, with operations based in Hermanus and employing over 450 people from the local communities neighbouring the farm. The product - abalone - is a premium, highly sought-after delicacy mostly consumed in the Far East for celebrations and festive occasions. Thus, the revenue stream is priced in US dollars. For the Fund, this was an attractive opportunity given the base capacity, local impact, growth potential in pilot projects, the establishment of its stand-alone feeds business, and its potential to grow capacity from the then 450 tonnes to a 620 tonnes farm.

The Futuregrowth Development Equity Fund targets a return of 18-22% per annum and invests across stage-of-life businesses that have a positive developmental impact, from early-stage entrepreneurial investments to more mature assets and project-financed investments. The Fund is well diversified, with investments currently across 29 sectors and 57 different issuers.

We could not foresee the several challenges the business ended up facing. One year into the investment, there was an unprecedented red tide event. Usually, the farm would have to deal with red tides every two or so years. A traditional red tide is the bloom of two to three different species and usually lasts about one to two weeks, making it quite easily managed by the water pumping system on the farm. However, in the early days of 2017, the Hermanus bay area (and 500km of the Eastern coastline of the country) was hit with an unprecedented red tide. This time there were up to 20 different species of red tide organisms that developed and multiplied in the region for over eight weeks. The situation in this event was exacerbated by the release of a severe toxin by one of the dinoflagellate species in the bloom. Given the duration of the red tide and the toxins released, the usual mechanisms and controls used to manage the tide were not sufficient and it had a dire impact on the abalone on the farm. Post this event, risk mitigants were put in place for potential future recurrences of red tide events on such a massive scale.

Abagold's commitment to its staff has been noteworthy throughout all of this. Management has been hands-on, working for long hours alongside the farmworkers. Not one job loss was experienced from the red tide event and instead Abagold used the time for reskilling of farmworkers as they developed new competencies and knowledge on their farm – notably the

improvement and perfection of the dedicated hatchery where abalone “spat” (baby abalones) were grown to repopulate the farm.

As if this was not enough, the community unrest in 2018 flared up right outside Abagold’s farming gates. These harrowing times followed close on the heels of the long hours it had taken to recover the stock on the farm. This was followed by declining trade due to the political protests and unrest in Hong Kong, a key market for luxury goods generally and abalone in particular (both for consumption and as an entrepot). And then, of course, the COVID-19 pandemic literally halted all abalone trade as world markets shut down, and the Far East was particularly stringent in managing the pandemic. Even today, China still experiences severe lockdowns week in and week out.

Abagold needed to secure additional working capital to ride out the export delays during this time. The Futuregrowth Development Equity Fund stepped up to provide this, demonstrating its support as an agile partner to the business. Without the need to exit the investment on a fixed timeline as required by a closed-ended fund horizon, Futuregrowth was able to assess the risk and reward profile through the cycle and structure a funding line to support the business through the following COVID restrictions. Abagold was able to repay the funding six months earlier than the original redemption date. In the six months to December 2021, Abagold’s interim results reflected a R23m profit before tax (excluding fair value adjustments), up from a loss of R2m in the previous six-month period.

During the COVID pandemic, Futuregrowth actively engaged and reached out to most of its 57 investee companies to enable them to pursue their investment strategies and continue to have positive impacts on their broader ecosystems. A few of these engagements did result in the provision of additional working capital funding, much like that extended to Abagold.

While the Abagold investment appears to have turned the corner, what is clear is that agri investing, in whatever format, is often a riskier investment thesis than initially foreseen. It is subject to the vagaries of supply, demand, prices, currencies, weather, and – particularly in the case of Abagold – the biological risks inherent in raising live animals! Taking on these learnings, we continue to develop investments in various agri-related areas as we believe agri-business is well-suited to meeting our Fund’s investment objectives from a developmental, environmental, and economic point of view.