



Investments that make sense

Agriculture Investment

Quarterly report

| 31 December 2018



SV Capital overview

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Investment Objective

The investment platform provides investors direct exposure to the agricultural sector through investing in real asset backed investments. This is done through partnering with knowledgeable and experienced farmers that specialise in livestock farming.

The purpose of the investment platform is to create an agricultural investment vehicle that provides attractive returns with limited risk and exposure and ensuring investments are done in a socially responsible manner.

How and what we do

Our investment products provide investors with the ability to earn income from the fractional ownership of real assets. You acquire assets, your assets are managed by our experienced and knowledgeable farmers, and you get paid a return from the sale of your assets to market. Your investment is safeguarded by our expertise, experience and commitment.

Investment process

A simplified investment process that makes investing easy to understand and available to anyone:

- You buy:** You decide which investment products you like
- We manage:** Your assets form part of a pool of assets managed by experts
- You get paid:** You earn returns on your investment without having to deal with the admin of maintaining and managing the assets yourself

Social impact

Our investment is not only focused on financial returns but also positive socio-economic impact on the farm and surrounding communities. We look to address three pillars, namely:

- ✓ Creating sustainable jobs
- ✓ Encouraging financial inclusion
- ✓ Supporting Emerging farmers across South Africa

Our core focus remains protecting investors interest and safeguard the investment.

Market Overview

The South African Department of Agriculture, Forestry and Fisheries estimated the national cattle herd to be 13.4 million. Commercial farmers own approximately 60% of the herd while communal and emerging farmers own the remaining 40%. The Eastern Cape Province accounts for 24% of the national herd.

South African grain and red meat farmers faced hard times towards the back end of 2018 after dry weather conditions and an outbreak of the highly contagious foot and mouth disease which suspended meat exports.

Maize prices climbed amid concerns that dry conditions in the main part of South Africa's maize belt delayed crop plantings outside the optimum planting window, threatening yields for the staple food that is also used in livestock feed. In early estimates, farmers planted around 95% of the country's yellow maize, which is mainly used in animal feed and between 70% to 80% of the white maize, which is used in human consumption. The higher maize prices have also increased animal feed costs amid a constrained consumer environment restricting the costs that can be passed on to the consumer.

In another blow, the red meat industry saw the suspension of exports after the outbreak of foot-and-mouth disease in the northern Limpopo province. The disease, which does not affect humans, causes lesions and lameness in cattle and sheep. The disease was successfully contained in the Limpopo area.

Partner farm

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Thusanong Farming

SV Capital through partnering with farmers that specialise in livestock farming, has turned farmers underlying assets into investment products. Our partner farm was Thusanong Farming.

As we strive to deliver great value to all our clients, we are always taking steps to evaluate our investment products and processes to find ways to improve them. As such, we will no longer be working with Thusanong Farming.

We continue to focus on partnering with skilled and knowledgeable farmers in order to provide alternative investment products that yield competitive returns.

A New Tide...

As we continue to partner with skilled and knowledgeable farmers, we have pivoted the business to working with a new feedlotting partner, Beefcor (Pty) Ltd.



Beefcor is a well-established feedlot in South Africa, with feedlot operations situated in Bronkhorstspuit.

Beefcor procures livestock from reputable producers, source feed directly from mills and farmers, produce their own scientifically formulated feed and can provide custom feeding services to livestock feeders without an established feedlot.

We are working with Beefcor through their custom feeding programme, a service they provide to prospect feeders. This allows us to hold the livestock on their farm and they ensure the procurement, the feeding and vaccinating and sale of the livestock (Beefcor has an abattoir onsite and is the offtaker for all livestock invested in). This is the same process as per our initial investment process however with a more established, experienced feedlot operation. Beefcor also guarantees to replace of the herd if the mortality rate exceeds 1% (industry norm).

Beefcor operations were established in 1973 with only 1000 head of cattle, they now market up to 70 000 cattle per year and have diversified their products and services. Beefcor is an industry leader and innovative company that employs over 600 people.

Beefcor is privately owned by the founding families and by an employee shareholding scheme. The management of Beefcor is a well-qualified team, having over 80 years of combined experience in the beef industry.



Cattle Investment

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What your investing in

Investors are given the opportunity to participate in the sector by acquiring fractional ownership of the cattle.

The cattle will be placed in a feedlot until they reach the optimum weight to be sold. This process usually takes approximately 4 months (120 days).

These cattle will be cared for and managed by the farmers and will form part of the offtake agreements which are already in place thus ensuring a market is created when they are ready to be sold.

How and what we do

Our investment products provide investors with the ability to earn income from the fractional ownership of real assets.

You acquire assets, your assets are managed by our experienced and knowledgeable partner farmer, and you get paid a return from the sale of your assets to market.

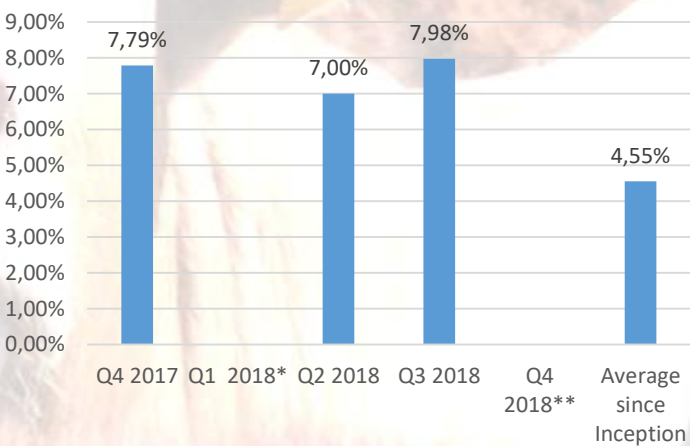
Your investment is safeguarded by our expertise, experience and commitment.

The cattle are brought in at 240-260kg and held until the optimum weight of 460-480kg as part of Beefcor’s custom feeding programme.

Quick Facts

Minimum Investment:	R500
Investment period	1 year
Inception Date	30 September 2017
Sector	Agriculture

Return (Net of fees)



*Investment was moved to a new farm, no funds were invested over this period
**Investment was liquidated with previous partner Thusanong Farming and held in cash

Q4 2018, the investment was liquidated with previous partner Thusanong Farming and held in cash. The funds will be rolled over and invested with Beefcor from Q1 2019.

Market Overview

The fourth quarter usually provides good performance in the cattle industry. The demand for beef spikes usually towards December as many consumers prepare for braais and the December festivities.

The per capita consumption of beef has been on a gradual decrease but we expect a recovery over the next 10 years. The greatest growth in consumption is expected to come from China. The consumption per capita is not expected to increase significantly in low-income regions such as sub-Saharan Africa due to the lack of growth in income.

With rising maize prices and suspended exports due to disease breakout, the red meat industry has experienced some difficult times towards the back end of 2018 however we do see a recovery on the wings amid a containment of the disease outbreak and the lifting of the export ban.

Sheep Investment

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What you investing in

Investors are given the opportunity to participate in the sector by acquiring fractional ownership of Sheep.

The Sheep will be placed in a feedlot until they reach the optimum weight to be sold. This process usually takes approximately 4 months (120 days).

These Sheep will be cared for and managed by the farmers and will be sold when the optimum weight is reached and the market is available.

How and what we do

Our investment products provide investors with the ability to earn income from the fractional ownership of real assets.

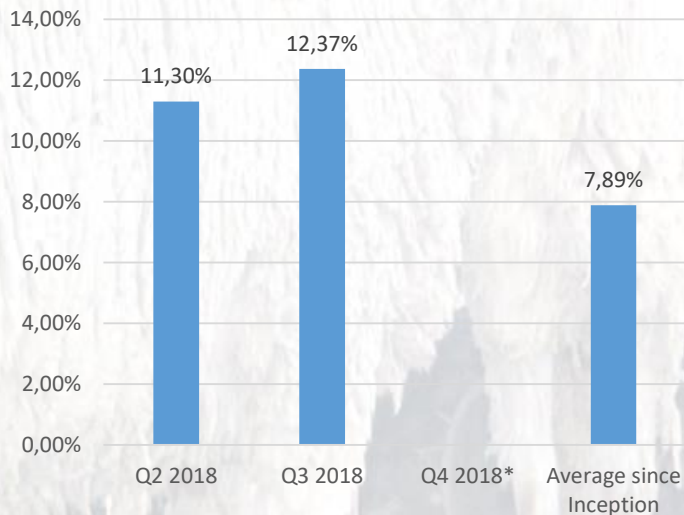
You acquire assets, your assets are managed by our experienced and knowledgeable farmer, and you get paid a return from the sale of your assets to market.

The Sheep will be brought in at 26-30kg and held until the optimum weight of 55-58kg as part of Beefcor’s custom feeding programme.

Quick Facts

Minimum Investment:	R500
Investment period	1 year
Inception Date	31 March 2018
Sector	Agriculture

Returns (Net of fees)



**Investment was liquidated with previous partner Thusanong Farming and held in cash.*

Q4 2018, the investment was liquidated with previous partner Thusanong Farming and held in cash. The funds will be rolled over and invested with Beefcor from Q1 2019.

Market Overview

There were approximately 324 102 heads of sheep in October 2018, up 3% from September. Meat prices are increasing but at a slower rate compared to the same period a year ago.

The increased slaughter of Australian Sheep and mutton constrain prices to increase more in the immediate short term. The price of lamb relatively to other meats has risen significantly. The Lamb market has become really a niche market and Lamb consumers are generally high LSM consumers in South Africa. Cheaper alternatives will lure cost-conscious consumers away from lamb.

In the interim, we have paused investments into Sheep due to market shrinkage, which would impact our ability to sell the sheep when ready. We have reallocated these funds to be invested in Cattle in the interim until the market expands.