Capturing opportunities in Agribusiness

Duxton’s global experience & track record
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Section 1: About Duxton
Desmond’s role includes providing fiduciary oversight and management of the funds business, sourcing and evaluating new opportunities for investment, planning, structuring, financing and conducting in-depth financial, technical, legal and financial due diligence of investments. Des is a member of the Investment Committee for Duxton and sits on the board of several investee companies. Prior to joining Duxton, Desmond held a number of senior finance roles in DeAM Asia and the International Finance Corporation (IFC) responsible for the origination, execution and supervision of investments throughout Asia. Before the IFC, Desmond spent nine years as an engineer working throughout Europe and Asia on large infrastructure projects.

Rupert joined Duxton in 2009 and is Head of Listed Equities and some private equity in Australia and New Zealand. Prior to joining Duxton, Rupert spent 11 years working for DeAM, Odyssey Funds Management, and the International Wine Investment Fund as Senior Investment Manager responsible for origination, structuring, investing, monitoring and exiting listed and unlisted investments in Australia, Europe and US. Prior to entering funds management, Rupert worked in finance in the Consumer Products and Information Technology fields.

Kuan Yew joined Duxton in 2009 and is responsible for Emerging Markets Private Equity, encompassing deal origination, negotiation, structuring, due diligence, monitoring and business improvement, and exits. Prior to joining Duxton, Kuan Yew had senior investment roles with DeAM and AIG covering emerging market investment and new product development in Singapore, Malaysia and Indonesia, and 5 years was a senior equity research analyst with Natwest Markets and CLSA.

John Simpson, Vice President, joined Duxton in August 2010. Current agribusinesses non-executive board and alternate positions in companies in Australia, Tanzania, Zambia, DRC, Laos, Jamaica, Sri Lanka and the Philippines. Over the past 3 years has also been involved providing policy input to global initiatives for responsible and sustainable agriculture investing - in particular with the UN's Committee for Food Security RAI and VGGT processes.
Overview of Duxton Asset Management

**Brief Profile**

- Dedicated asset management company, founded in Feb 2009 through a spin out of Deutsche Bank Asset Management’s “Complex Assets Group”
- 100% owned by the management team
- Management team together since 2005

**Leadership and Management Team**

- **Ed Peter, Chairman**
  Former head and CEO, Deutsche Asset Management, APAC.

- **Desmond Sheehy, CIO**
  Former head and MD, Deutsche Asset Management’s complex assets investment group

- **Stephen Duerden, CEO**
  Former COO of Deutsche Asset Management, Singapore

**Business Profile**

- Over USD 655m Assets Under Management as at August 2016
- Specialist alternative asset manager focused on agriculture and emerging markets
- Clientele is a combination of institutions and HNWIs
- Monetary Authority of Singapore (MAS) regulated – Capital Markets Services License

**Key Capabilities**

- Ability to source for proprietary deal flow
- On the ground understanding of the environment
- Ability to invest in dominant players in each sector
- Superior deal structuring capabilities

**Our Key Focus**

**Agriculture**

- Manage investments in farm operations of approximately 540,000 ha of farmland spanning 5 continents
- Located around the world to diversify and reduce agricultural risks, such as weather and diseases
- Operating investments in countries including Australia, New Zealand, India, Tanzania, Vietnam, Zambia and Sri Lanka

**Emerging Markets**

- In-depth Asian emerging markets experience
- Adopts a highly selective and detailed investment approach
Investment Services – *Market and Investment Advisory*

Our Investment Management team can assist clients investing in Agribusiness and the Emerging markets by providing a comprehensive Portfolio Construction and Management Service.

**Deal Origination and Structuring**
- Well established industry network and proprietary knowledge through our in-house research team.
- Experienced at due diligence and deal structuring across multiple geographies.

**Monitoring**
- Extensive experience in the SME space.
- Provide board support.
- Work with management teams with view to making them corporate or institutional investor ready.

**Restructuring and Repositioning**
- Experienced in restructuring and repositioning investments. We work closely with management and outside stakeholders with view developing and executing on well developed business plans.

**SRI, Corporate Governance and ESG**
- Our team is at the forefront of implementing and understanding investors requirements in SRI, Corporate Governance and ESG reporting implementation.

**Exit**
- Have exited a number of private equity investments successfully.
- Managed processes including mergers, listings, trade sales and outright sale to maximise value for our clients.

Our Investment Management team can assist clients investing in Agribusiness and the Emerging markets by providing a comprehensive Portfolio Construction and Management Service.
Duxton has a footprint in over 10 countries and 30 commodities

**Market and Investment Advisory**

- Market and consulting work based on Duxton's actual transactional experience with over USD 600 million in equity investments and USD 1.2 billion in pipeline deals

- Majority of the consultancy work is performed by Duxton's specialized investment team, which is based in Singapore and has over 50 years of agribusiness investments and 100 years within financial institutions such as the IFC and Deutsche Bank

- Market and Investment services include:
  - Commercial and financial due diligence
  - Investment structuring expertise
  - Building of investment memorandum and financial modeling
  - Access to Duxton's network of co-financiers and capital markets

**Operational Consulting**

- Operational consulting work is based on Duxton's asset management experience from its diversified operations, leveraging off both Duxton's Singapore-based investment managers, as well as the senior management of investee Companies

- Duxton also has access to industry professionals who can provide very specific expertise that its clients may be looking for, such as large agricultural technology companies and independent engineers

- Operational Consulting expertise includes:
  - Primary production – Outgrower production model, technical agronomy
  - Processing and value add – Operational & KPIs goal-setting, Technology incorporation
  - Marketing & Offtake – Market analysis, Competitive analysis

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**Duxton’s Investment and Advisory Presence**

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<thead>
<tr>
<th>Countries</th>
<th>Products</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Cotton</td>
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<td>Rubber</td>
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Track Record

Direct Farmland Investing

**Integrated Tea Production**

Our Darjeeling tea plantation is the largest organic and biodynamic tea producer in the region and an integrated tea producer with a demonstrable track record in acquiring and reviving sick tea estates. The project is the second largest producer of Darjeeling tea and have an experienced management team in place with a well developed acquisition strategy.

**Key value drivers:**

**Increasing production:** Acquisition of sick tea estates and increasing economies of scale and cost efficiencies

**Improving brand integrity:** Initiatives to protect the name Darjeeling have been put forward which will reduce the amount of tea able to be marketed as ‘Darjeeling’ by 75% thus making the product rarer and more expensive

**Pricing Power:** As the largest organic and biodynamic tea producer in Darjeeling and receives among the highest price per kilo for its tea

**Australian Dairy Farming**

The farming operation is located in the southern parts of Australia and operates approximately 3,000 hectares. The portfolio comprises of 9 farms with approximately 5,200 cows.

**Key value drivers:**

**Valuation:** The farms were acquired at a significant discount to independent valuations and an undeveloped property is ear marked to be sold

**Highly productive portfolio:** Our farms have been identified as amongst the top performing 5% of dairy farms in Australia

**Scalable Platform:** The mechanisms and systems that management has developed to supervise the dairy units are efficient and scalable

**Economies of Scale:** Economies of scale are achieved in the farm operations, with centralized buying of fertiliser, feed, machinery, fuel, insurance, etc.
**Track Record**

*Full investment advisory in Sri Lanka*

**Overview of Project**

Duxton was appointed to provide advice to a Sri Lankan company on initial investment procedures as well as the creation of documentation and investment structuring for the creation of a modern dairy farm.

**Our Role**

- Review of initial due diligence conducted by the clients on the potential investment
- Conducted additional commercial and market due diligence on behalf of the clients
- Negotiated on behalf of the clients on deal structure, financing agreements and operational responsibilities
- Preparation of documentation and investment memorandum to be presented to the board of the clients for final approval of the investment.

**The Results**

- Establishment of a master plan that envisions a modern 1,000 peak milking cow dairy.
- Eventual co-financing through equity investment by Duxton.

**Duxton’s Value Drivers**

- Financial modeling expertise
- Commercial proficiencies
- Deep knowledge on investment structuring
- Institutional knowledge from dairy investments in Australia, Vietnam and the Philippines.
- In-house dairy specialists who have successfully built a 3,000 head TMR dairy
Track Record
Advisory on project expansion in Azerbaijan

Overview of Project
Duxton was appointed to advise an agricultural conglomerate in Azerbaijan on project expansion and operational improvement in their 30,000 ha cotton farmland and 3,000 ha apples and Pomegranate Orchards.

Our Role
► Review of the Cotton and Orchard business.
► Development of policies and procedures
► Recommendation of process enhancement and incorporation of new technology
► Operational and KPIs goal setting
► Building of business plan and financial modeling
► Financial and Commercial DD
► Building of ESG framework

The Results:
► Created a business plan for capital raising
► Brought farming specialists from our networks to assist in this.

Duxton’s Value Drivers
✓ Financial modeling and business plan creation expertise
✓ KPI and Operational benchmarking
✓ Direct investments in cotton and apple orchards in Australia
✓ ESG compliance proficiencies
✓ Commercial DD expertise
Track Record

Overview of Project

Duxton was appointed to provide advice to a Vietnamese company whom recently acquired control of a 5,600 ha tea estate and a 3,000 head dairy company in Vietnam.

Our Role

► Technical review on the tea estates and dairy facilities owned by the clients, including an assessment of operational agricultural practices regarding tea production and dairy
► Assessment of the company’s current marketing and distribution network
► Desktop review of business expansion feasibility

The Results

► Recommendations for operational improvement through the implementation of agronomic efficiencies such as a tea tree variety optimization schedule
► Potential JV between Duxton and the Company to develop export markets identified

Duxton’s Value Drivers

✔ Owns one of the largest Darjeeling-tea producers, who are also the pioneers in specialty teas in India
✔ In-house team of agronomic specialists
✔ Large networks in the global tea industry
✔ International benchmark knowledge
Section 2: Duxton’s experience in the Caribbean
Obstacles faced by agribusinesses in emerging economies including CARICOM

Lack of operational and management expertise

► Limited knowledge of best farming practices, which severely impacts productivity
► Poor oversight and control of spare parts and equipment which affect field operations
► Limited implementation of financial and human resource planning, which leads to unnecessary/excessive costs
► Poor linkages across supply chain

Lack of capital and poor infrastructure

► Usage of damaged / sub-par infrastructure, leading to productivity losses and high crop attrition rate
► High levels of post harvest waste as storage and transport solutions not readily available – poor nation state infrastructure
► Lack of equipment and property maintenance – sometimes farmers have the machinery and equipment but are not taught how to properly operate and maintain them. Productivity suffers when they get damaged and are unable to repair them
► Informal nature of farming bodies and smallholders, making it difficult to finance and organize with traditional means
► Lack of farmer and producer access to their relevant markets – weak trade bodies
### Agribusiness opportunities in the Caribbean region

#### Proportion of subsistence farming is still high

- Implement modern farming methods in Caribbean countries
- Usage of technology and proprietary knowledge to increase productivity and value, e.g. irrigation, machinery, farming practices
- Local FMCG opportunities

#### Growth of agricultural exports

- Greater focus on building up a portfolio of high value agricultural crops for export – comparative advantage over competitive advantage
- Strong Caribbean brands e.g. Jamaican Blue Mountain Coffee & Havana Club Rum
Case example: Energy & Sugar Investment in Jamaica

**Project Quadrille**

**Business Overview**

**Commercial sugar farm and factory**

Quadrille is a 3,023 hectare commercial sugar farm and factory benefitting from the privatization and restructuring of the Jamaican sugar industry. Duxton’s investment funded a comprehensive 5-year business plan to scale up raw sugar production by more than 60% through increased plantings, improved yields, and higher sugar extraction efficiency. Additionally, a cogeneration plant fuelled by bagasse waste is currently being pursued, providing substantial upside from the sale of excess electricity to the national grid.

**Investment Details**

- Total invested to date: USD 2.0 mn
- Date of investment: February 2013
- Holding Value: USD 2.0 mn
- Ownership by Duxton controlled entities: 11.02%
- Fund: DALF
- Expected returns are 15.8% IRR (cash multiple 2.03x) and 35.2% IRR (cash multiple 3.29x) with cogeneration.
Enabling Environments

We like to invest in and create enabling environments – what does this look like?

► Strong coordination of vision within key government ministries:
  ► Agriculture - importation of new seed varieties, steady and informed policies on tariffs, subsidies and exports
  ► Finance – encouragement of local financing institutions to work with big and small agents in agribusiness supply chains
  ► Interior/Immigration – smart policies on attracting global talent to help build local talent

► Industries work best when multi-stakeholders come and work together:
  ► Example: Irish, Danish and Dutch export agribusiness industries punch above their weight due to multi-stakeholder environments supported by good government policy – industry and producer organisations

► Duxton have worked with government and industry bodies in Azerbaijan and Tanzania to create whitepapers on executing industry vision and blueprints for organising such multistakeholder institutions alongside agribusiness advocacy work at the UN
How we execute and partner with investors and governments

In order to create a sustainable pipeline of investments of agribusiness investments, Duxton have a unique model where it consults and advises with local partners and governments to restructure assets

**Identification of asset:**
- Government owned assets
- or distressed private asset
- or entire agribusiness industry

**Operational assessment:**
- *In-depth assessment of company operations and industry*
- May also include taking control of operations in a stop-loss or margin expansion exercise

**Sale/investment**
- *Fundraise for restructured industry/assets from strategic investors/institutions to provide capital for expansion/restructure and liquidity for current investors*

**Restructure:**
- *Consolidation of assets/industry Split into bankable/non-bankable assets*
- New operational strategy may include splitting parts of supply chain to create competition
- Reliance on outgrower programmes and leveraging on developing with subsistence producers
Thank you

Q & A