



YIELD UGANDA

INVESTMENT FUND



**A €20 MILLION
IMPACT INVESTMENT FUND
FOR UGANDA, FOCUSED ON
THE AGRICULTURE SECTOR**



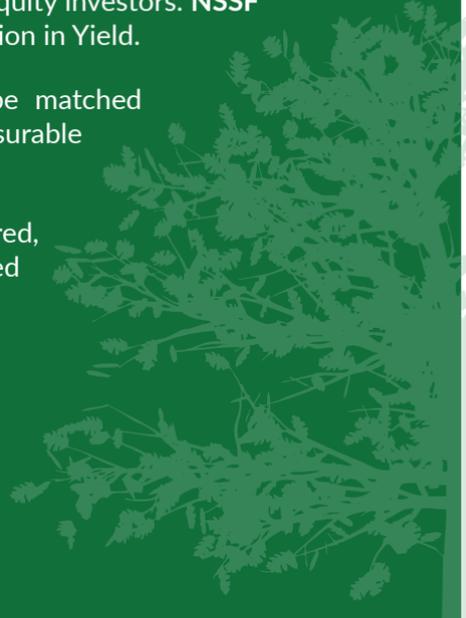
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Pearl Capital Partners

Deloitte.

An Introduction to Yield Fund

- PCP Uganda (PCP) launched a €12 million Fund to invest in Small & Growing Agribusinesses (SGAs) positioned in agricultural supply chains in Uganda, the **Yield Uganda Investment Fund**, in January 2017.
 - Additional investments from **Open Society Foundations (OSF)** and **Finn Church Aid Investments (FCAI)**, have since brought the total fund size to €20 million capital.
 - Yield was formed with the support of the **European Union (EU) Delegation to Uganda** and the **International Fund for Agricultural Development (IFAD)**, following a favorable feasibility study.
 - Yield Fund is anchored by €10 million of initial funding from the **EU** through **IFAD**, providing first loss protection to equity investors. **NSSF Uganda** invested €2 million in Yield.
 - Financial returns will be matched with explicit and measurable social impact targets.
 - The Fund is registered, domiciled, and managed in Uganda.
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Yield Uganda Investment Fund: Why Agribusiness?

- Uganda's GDP growth is estimated at 5.1% in June 2019, with projections for 2021 and 2022 at 5.8% and 6.2% respectively.
 - Agriculture continues to be the most important sector in Uganda's economy in terms of raw materials for industry, food and nutrition security, employment, income and exports to regional and international markets.
 - The sector grew by 2.7% in 2017/2018, contributing 26% of the total GDP.
 - High impact and solid fundamentals.
 - Stable government, sound macro-economic policy framework, free movement of capital.
 - Over 65% of Uganda's population is engaged in agriculture.
 - Ugandan agriculture has extremely high potential:
 - Favourable rainfall patterns mean that annual double-cropping is possible in most parts of the country
 - Abundant supply of labour in rural areas
 - Growth in domestic and regional demand for food products
 - Improvements in rural infrastructure beginning to drive reductions in transaction costs.
 - Strong demand for investment capital from an increasing volume of agriculture-related entrepreneurs.
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Yield Uganda Investment Fund: The Fund Manager

- **PCP Uganda** is a wholly-owned subsidiary of Pearl Capital Partners, an investment fund manager resident in Mauritius and licensed by the Financial services Authority of Mauritius. PCP Uganda is regulated by the Capital Markets Authority of Uganda.
- PCP Uganda is managed from offices in Kampala. The PCP Uganda team has been operating since 2005, and has unparalleled experience of investing in Ugandan agriculture-related businesses.
- PCP Uganda has in-depth experience of tailoring investment structures to the needs of the individual investee, including both equity and medium/long term debt.

PCP Uganda – Track Record

- PCP has demonstrated “proof of concept” during its **13 years** of operations
- Investments in more than **30 East African businesses** to date, including **9 in Uganda**
- Current Ugandan portfolio projected to yield 10-12% with significant social impact
- Average investment holding period 5-7 years
- First exit occurred in June 2009
- As a result of PCP risk capital investments, existing portfolio companies have attracted substantial additional capital from traditional investors (examples available upon request)
- Detailed track record available upon request

Yield Uganda Investment Fund: The Prospective Investees

Investees' Investment Criteria

A. Business environment criteria

- › No state marketing interventions in the sub-sector
- › Absence of domestic price controls on agricultural products
- › No unduly restrictive regulatory burdens on the sub-sector

B. Enterprise criteria

- › Growth trend shown in historical and forecast demand volume
- › Competitive advantage: regionally competitive cost of production, product quality matching or exceeding regional industry standards
- › Stable prices: increasing or stable forecast product prices

C. Performance criteria

- › Track record: minimum one year audited financial records and positive reputation with banks, suppliers and customers
- › Excellent management team with good entrepreneurial quality
- › Well-researched and realistic marketing plan

D. Social and developmental criteria

- › Targeted Economic Internal Rate of Return of 30%
- › Social impact including overall job creation resulting from the growth plan
- › Equal opportunities by age, gender and health status
- › No adverse environmental impact

Requirements from Prospective Investees

- A brief description of the business, including an organizational chart and CVs of key management.
- Details of products, markets and distribution channels, including profiles of key customers and supply chain.
- A business plan going forward that clearly sets out the company's growth/expansion plans, key assumptions, major risks and financial forecast for at least five years.
- Copies of audited financial statements for the preceding two years including a copy of the business's most recent management accounts and a description of the current financial position.
- Details of the social impact of the business.

Yield Uganda Investment Fund: Current Investments

Chemiphar – 2019

Chemiphar is an internationally accredited analytical laboratory located on the outskirts of Kampala, in Kansanga, whose core business is to provide testing and inspection services to SME businesses operating in food and beverages, agro-products, environment, pharmaceutical and cosmetics as well as agricultural seeds. Chemiphar essentially acts as an enabler to agri-businesses which are required to meet international standards for both export and local certification of their processed and value added products.

In view of Yield Fund's partnership with aBi, the objective of the Fund's UGX 1.3Bn investment is majorly to enhance the company's capacity to meet the growing local demand of quality and efficient laboratory testing services and also to have the ability to fulfill specific requirements of local and foreign markets, especially with the increasing growth of Uganda's exports and standards. As part of the Yield Fund package, Chemiphar will also benefit from a matching grant from the Fund's Business Development Support (BDS) facility managed by IFAD.





CECOFA-2018

Central Coffee Farmers Association Ltd (CECOFA) is a primary processor of coffee. The company collects dried coffee beans (Kiboko cherries) from its network of approximately over 3,600 smallholder farmers organized through a co-operative structure. The beans are then cleaned, de-husked and graded into Fair to Average Quality coffee by CECOFA. The company in essence then provides market access for farmer members by purchasing, aggregating and collectively finding a market through international coffee traders.

The Yield Fund's investment of UGX 5.14 billion is aimed at increasing the company's capacity to source and export larger volumes of Robusta coffee from smallholders as well as increase the number of certified smallholder farmers. Alongside the investment, CECOFA also received Business Development Support (BDS) aimed at enabling growth and self-sustenance for the future of the company.



SESACO Limited- 2018

Sesaco Limited is an agro-processing company, processing and manufacturing soy based products. Charles Nsubuga, who mooted the idea in 1978, started trading at small scale household levels and consequently registered Sesaco in 1987. The business is currently located at Kyengera trading centre, 9 kilometers from Kampala city center, a prime location providing accessibility to suppliers and markets. Sesaco's flagship products are soy cup (a decaffeinated instant beverage), soy millet flour and soy maize flour.

Yield Fund's investment of UGX 1.6 billion in Sesaco Limited is aimed at improving the company's production facilities while stabilizing and preparing the business for a larger expansion and growth in the future. As part of the Fund's package, Sesaco Ltd also enjoys benefits from Business Development Support (BDS) to the technical and governance aspects of the business.



Yield Uganda Investment Fund: Business Development Support (BDS) Facility

- The BDS facility is supported by a grant provided by the EU, and implemented by IFAD. The facility is designed to help investee enterprises under Yield Fund towards successful business growth and expansion.

- **Rationale for a BDS facility:**

Investee businesses are given access to business development and management support provided by expert consultants. The facility is currently managed by KPMG

The BDS support areas include:

- Finance and cost management
- Administration and operations
- Human resource management
- Administration
- Sales and marketing
- Corporate governance
- Best practices
- Accounting and book keeping
- Quality certifications and quality standards
- Products audit
- Weather forecasting and insurance
- Specialized agricultural fields such as agronomy
- Trainings

- **BDS Provision process:**

BDS needs assessment is part of the due diligence process. It results in a bespoke business development support plan agreed at time of investment.

- Cost sharing between BDS Facility and Investee Companies



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