Newsletter 4

November 2016

Dear shareholders and friends of Kampani,

Once again, a lot to report! Kampani has closed its second deal!

1) Kampani's second deal

In October, Kampani completed the transaction for its second investment - a deal sourced by Alterfin - in a Kenyan SME, "Vert".

Founded in 2000, Vert is specialized in the sourcing, grading, packing and export of fresh vegetables: French beans, snow peas, baby corn, baby carrots, etc. Every day, several tons leave Kenya on the KLM flight for Amsterdam. Some of the produce is for sale in Belgium, specifically in Delhaize.

Picture 1: look for the FLO ID number 28650 to check whether the package was produced by Vert.

Vert aggregates some 2,000 smallholder farmers by organizing them in community-based organizations and supporting them along the production process. Vert's founders want to improve smallholder farmers' living conditions by offering them reliable access to new market channels, technical support and pre-financing services. Herein also lies the social impact which motivated Kampani to invest. The founders' commitment in this regard has been codified in a Social Business Charter.

Picture 2: the exacting demands of the export market

Vert recently decided to diversify its production by launching a mango and passion fruit pulp business. The pulp processing market has seen tremendous growth over the last eight years in East Africa. But Kenya currently imports a large amount of soft drinks, and Vert intends to help substitute imported products by producing mango and passion fruit pulp that will be locally sourced and processed. This new activity should enable Vert to work with more farmers (around 8,000 by 2020), including in rural areas where poverty alleviation remains a real challenge.

Vert has raised €1.8 million in equity and debt in order to enter the pulp processing business and to move the vegetable business from the current rented facility to the new site. The funding will be used to finance the related capital expenditure and working capital.

This investment is a co-investment between Grameen Credit Agricole and Kampani, each has contributed €500,000 (divided into an equity portion of €350,000 EUR, and subordinated debt of € 150.000). Both equity investors are equal partners and are fully aligned. Most of the rest of the financing has been secured with a Fefisol/Alterfin investment loan.

Picture 3: rendering of the factory to be built in the coming year. It will house both business lines.

2) Field visit to Burundi

In the September Newsletter I described in detail our investment in Burundi with the acquisition of the hulling factory together with the largest coffee cooperative in the country, COCOCA. In October, I had a chance to participate in the first General Assembly of the company created for that purpose, Horamama Coffee Dry Mill. This occasion was marked by the official opening and the cutting of the ribbon by the Kayanza governor, as pictured below. Needless to say, there remain plenty of challenges ahead, but we off to a good start!

By far the most important take-away from this visit, which included visiting several base cooperatives, was the immense pride amongst the smallholder farmers. Some 300 farmers were invited to represent the 33 base cooperatives at the General Assembly. Their great sense of achievement, and the promise of a brighter future, underscored Kampani's added value.

In short, dear friends of Kampani, what we have accomplished together cannot be underestimated.

Picture 4: The official cutting of the ribbon by the governor.

Picture 5: at the gate to the Horamama factory, with Ephrem Sebatigita CEO of Horamama and Ernest Ndumuraro, CEO of COCOCA (middle)

Picture 6: your cup of coffee

3) A deal stopped at the last minute

This summer we also met with some disappointment. In June, the IC had approved moving to implementation for a deal in Peru. The investment would have allowed an alpaca wool producing cooperative to build a new factory to wash, spin and dye the wool. Unfortunately, the plot of land the cooperative opted for in the end, was five times more expensive than originally envisaged and budgeted.

Kampani's IC decided not to move forward with the deal on this basis for two reasons:

a) The cooperative would have to take on more debt/be indebted longer. Even if not *per se* beyond the cooperative's borrowing capacity, it would tie up a very substantial amount cash not available for other purposes such as upstreaming it to its members.
b) The business case for this important change in the investment was considered insufficient.

We feel strongly that this was the right decision, from the perspective of Kampani as well as from the cooperative in question. Nonetheless, this was not an easy decision since the social impact for the breeders living in the high Andes could have been significant.

4) The next capital round

We are happy to report also that in the December capital round we will add € 800,000 to the Kampani capital via five new shareholders, comprising different private investors as well as Broederlijk Delen and Oxfam Wereldwinkels.

Please join me in wishing them a warm welcome!

Wouter Vandersypen

Executive Director, Kampani NV

PS: If you would rather not receive this newsletter, just let me know.

Kampani is a social impact investment fund to unlock the potential of entrepreneurial farming in Africa, Asia and Latin America. Kampani is a pioneering way to fight poverty and promote development. It provides growth capital investments to the world's poor, but entrepreneurial, farming families organised in producer organisations.