

Market and Fund Review

Conservative investment strategy in Q2 - with a pickup in investments in June

We have observed continued operations by the agriculture companies that we finance, despite delays and disruptions experienced in the value chain due to the coronavirus pandemic. Our portfolio companies have exhibited a high level of resilience as they have adjusted to the 'new normal'. We have seen business continuity, even for the solvent companies whose liquidity needs we supported by deferring repayment schedules by a quarter or two. The first half of the reporting quarter was marked by a slowdown in the Fund's investment activities due to the Covid-19 crisis, during which only selected long-standing investees were financed. With lockdowns prevalent in many countries worldwide, there was a temporary reduction in demand for some agricultural products, and working capital cycles were shortened as buyers looked to mitigate risks.

During the second half of the reporting quarter, we observed an increase in repayments, including several rescheduled ones. Furthermore, we saw a pickup in investment activity across all regions. However, the USD 14m of new loans deployed in the last three months are well below the USD 36m invested during the same quarter last year and reflect a cautious investment approach in the current environment.

Nearly half of the investments were in coffee, mainly for the Latin American harvest season but also in East Africa and the Asia-Pacific region. The other agricultural products financed were cashew nuts via the Asian trading hubs; cocoa in Latin America and Asia; and sugar from India. The Fund has been able to source one mid-term deal of USD 1.5m in India with an 18-month tenor: the portfolio company financed is a logistics and warehousing provider for mostly wheat and maize.

The coffee harvest season in Peru - our main investment market in Latin America - has been delayed due to the strict lockdown measures that remain partially in place. Furthermore, there has been reduced demand for working capital finance as the Peruvian government is injecting liquidity into the market through its "reactivate Peru" initiative, which offers subsidised loans to SMEs,¹ including cooperatives.

Low performance with stable yields so far for 2020

The Fund has maintained its broad diversification by keeping investment amounts below the approved portfolio companies' financing limits during the quarter. Available liquidity stood at 19.2% by the end of June compared with 14.1% at the end of the previous quarter.

The Fund's NAV remained stable at USD 88m during the quarter. The portfolio yields were also fairly stable, dropping slightly from 8.4% to 8.2%, despite the large amount of liquidity injected into capital markets and the sharp reduction in LIBOR (6-month LIBOR declined by 80bps during the quarter).

* Exclusion of liability outside Switzerland: for qualified and professional investors only.

¹ Small and medium-sized enterprises

The debt valuation in the reporting quarter primarily resulted from the liquidation of a vertically integrated supply-chain manager for numerous agricultural products, leading to a 75% provision for that particular investment. The liquidation was triggered by FX volatility. The company posted a strong profit last year but has failed to manage its currency exposures amid the turbulent financial market conditions during the pandemic, causing substantial losses at the holding company level. A large majority - 85% of the provisions of slightly below 2% made during the second quarter - can be attributed to this specific case alone.

Overall, the net quarterly performance in USD for the most expensive USD-I share class was -1.19%, bringing the Ytd performance to -0.47% and the YoY performance to +1.77%.

Prices for agricultural products have recovered and stabilised

We are witnessing definite improvements in the flow of goods and cash in conventional value chains, especially for essential agricultural products. Most of the Fund's investees have managed to overcome the operational challenges they faced at the start of the outbreak, and there are fewer supply chain disruptions as lockdown restrictions are being eased. There has been a rebound in prices for several agricultural products, and the high price volatility seen at the beginning of the pandemic is no longer prevalent, enabling companies in the food supply chain to operate more smoothly.

The markets of our core portfolio agricultural products - cocoa, coffee and cashews - have seen price developments in line with our expectations. While cocoa prices started to drop at the start of the outbreak, they have recovered over the last few weeks as production in Ivory Coast, the world's largest cocoa producer, has been lower than expected. In contrast, Arabica coffee prices rose strongly in the first quarter of the year due to limited supply and strong spot demand. However, due to a record harvest currently ongoing in Brazil, prices have been declining over the last few weeks. Our investees have demonstrated resilience over the recent prolonged period of low coffee prices, which makes us confident that they can continue to manage well at the current price levels.

As for cashews, the market was at a standstill in the first quarter of the year as the Covid-19 crisis disrupted a rather fragmented supply chain. The cashew market has now recovered, supported by excellent demand for cashew kernels in our destination markets - the EU and the US - and the resurgence of Chinese imports and consumption. Grain prices have remained stable as various governments have continued to secure and build reserves of grains for food security purposes. Near-term price drivers for grains will be the harvest for the Northern Hemisphere in H2 2020; we do not see any material concerns yet as a result of the locust outbreaks in East Africa and on the Indian subcontinent.

Performance	Q2 2020	Q2 2019
Quarterly return (USD-I-II-S class)	-1.10%	1.11%
Quarterly return (USD-I-class)*	-1.19%	1.02%
1 year return (USD-I-II-S class)	2.12%	n/a
1 year average of 3mths USD LIBOR	1.51%	2.54%

*Proxy net performance of not yet launched share class, calculated since inception of the Fund.

Debt Portfolio Key Figures	Q2 2020	Q2 2019
Maturity (years)	0.7	0.7
Yield to maturity	8.08%	8.38%

Fund Activity and Performance

Investment activity & portfolio composition

	Disbursements during Q2 2020	Portfolio as at end of Q2 2020
Number of institutions	12	41
Number of countries	9	24
Largest disbursement/exposure to single institution [in % of NAV]	1.7%	4.3%
Average disbursement/exposure to single institution [in % of NAV]	1.4%	1.9%
Average disbursement/exposure to single country [in % of NAV]	1.8%	3.2%

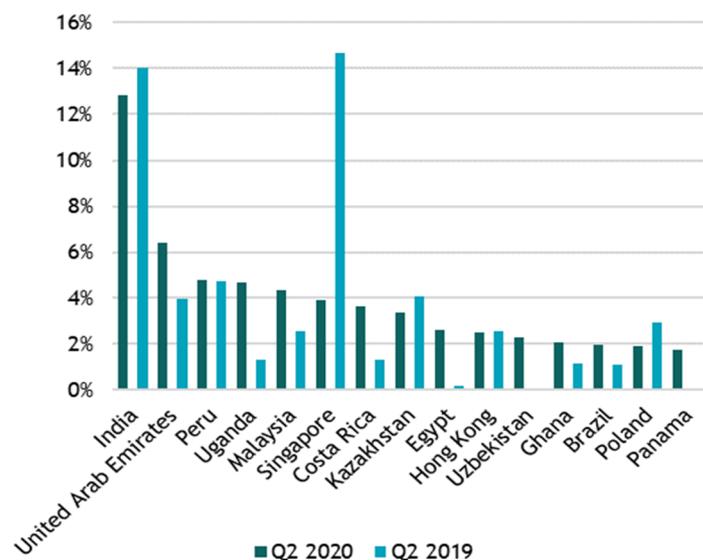
Geographical allocation

	Disbursements during Q2 2020 [in million USD]	Portfolio as at end of Q2 2020 [in % of investments]
Asia Pacific	5.2	37.6%
Middle East & North Africa	0.0	13.1%
Sub-Saharan Africa	1.9	11.4%
South America	4.3	11.3%
Central Asia	0.0	9.6%
Central America	1.5	8.0%
Other	1.4	6.6%
Eastern Europe	0.0	2.5%
Total	14.3	

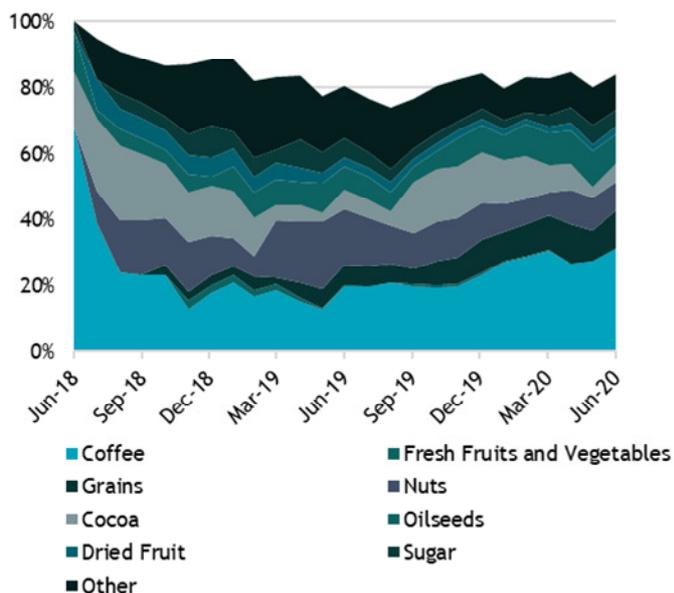
Asset classes

	Disbursements during Q2 2020 [in % of total disbursements]	Portfolio as at end of Q2 2020 [in % of NAV]
Structured trade finance	0.0%	15.3%
Short-term working capital	79.3%	41.2%
Fixed asset financing	10.2%	4.6%
Agriculture focused FIs	10.5%	15.4%
Cash	n/a	19.2%
Other assets and liabilities	n/a	4.3%

Development of country allocation - Top 15 countries



Development of commodity allocation*



*Excluding investments in financial intermediaries

Correlation** (since inception of the fund) with

Bloomberg Barclays EM USD Aggregate Total Return Index Unhedged	-0.16
Bloomberg Barclays Global Agg Corporate Total Return Index Unhedged USD	-0.40
Bloomberg Barclays Global High Yield Total Return Index Value Unhedged	-0.25
S&P GSCI Agriculture Official Close Index TR	0.13
Bloomberg Barclays 1-3 Yr Gov Total Return Index USD	0.11

**based on monthly USD net performance (1.9% TER) consisting of the actual net performance of the I-II-S (USD) share class since January 2019 and calculated for the periods prior to this (when the I-II-S (USD) share class was not yet available) as the net performance of the I-II (USD) share class, adjusted for a 1.9% TER.

Impact Indicators

Themes		Key SDGs	Main Impact Indicators
BASIC NEEDS	Improve farmers' livelihoods	  	Quarterly (Q2 2020) USD 2,342m Loans to agriculture sector via financial institutions USD 609 Average loan size for rural borrowers
HEALTHY ECOSYSTEMS	Promote sustainable agriculture	  	Investments made in 2019* 558,693 Smallholder farmers reached via direct investments 36 % Female 86 % Producing under certification (Fairtrade, Rainforest) 471,475 Hectares under sustainable management 56% Certified hectares under management (Fairtrade, Rainforest, Organic) 69 Processing units built/developed during the last three years
MARKETS, INFRASTRUCTURE & INNOVATION	Strengthen agricultural value chains	 	
Focus Topics			
RURAL POPULATIONS	Boost smallholder incomes and the rural economy		Context (2019)* USD 2,999 Average payments to smallholder farmers by investees USD 2,819 Average income of a smallholder farmer in Kenya 16% Average share of GDP represented by agriculture in investee countries 34% Average share of employment represented by agriculture in investee countries

Source: responsAbility Investments AG, as of 30.06.2020, SDGs = United Nations' Sustainable Development Goals

*Impact figures provided by the portfolio companies and calculated with full-year 2019 data for the invested portfolio of responsAbility SICAV (Lux) Agriculture Fund in 2020.

Providing relief to coffee cooperatives to help them recover rapidly from the Covid-19 crisis

In emerging markets, the Covid-19 crisis has impacted the health and livelihoods of rural households, particularly farmers, who play a pivotal role in producing food. Rural households are particularly vulnerable to the health effects of the virus as they are less likely to have access to healthcare facilities. The lockdown measures have largely disrupted small and medium-sized enterprises operating along food value chains, and access to essential goods and transportation has become a major challenge.

Peru has been hit particularly hard by the crisis and is going through one of the longest lockdowns in the world. It has more than 200,000 confirmed cases of coronavirus, the second-highest number per capita in Latin America - behind Chile - and second only to Brazil in absolute terms. These brutal figures are the result of multiple factors, not least Peru's informal labour force. While this is an issue across emerging markets, it is particularly acute in Peru. According to the International Monetary Fund, 70% of employment is informal, compared with a Latin American average of 54%. Many Peruvians believe they need to break lockdown to work and survive.

responsAbility has established various initiatives to support its portfolio companies in dealing with the Covid-19 crisis. One of these initiatives provides technical assistance to 10 Peruvian coffee cooperatives to minimise the economic and health consequences of the crisis for vulnerable farming communities. The project is helping these farmers to overcome the challenges of the ongoing coffee season and aims to reach more than 14,000 coffee growers. The four main areas of intervention that have been prioritised are: (i) to provide support in implementing the necessary health and safety measures; (ii) to facilitate the movement of farm products and the transportation of workers, e.g. by loading coffee onto trucks at the farmgate to avoid changing trucks multiple times; (iii) to improve the access of remote, rural communities to relevant information updates on the coronavirus, e.g. by engaging the field staff of cooperatives; and (iv) to ensure that the workforce stays intact, e.g. by covering the daily needs of workers. This project is under way and will run until November this year. It is one example of our commitment to improving the livelihoods of farmers while supporting our investees with the financing they need.

Outlook

The easing of restrictions in Asia and Europe will support the consumption of our key agricultural products

Although a global recession in 2020 is widely expected, thereby reducing consumption of some agriculture products, we see this as manageable for our portfolio companies and for the value chains they operate in. We have already seen a rebound in demand for coffee, for instance, with coffee shops having reopened in China and restrictions being eased in many European countries.

As for cocoa, in the medium term, there will be downward pressure on prices due to reduced demand for chocolate confectionery as a result of the global recession, the high stocks held by manufacturers and the relatively high cocoa prices compared with last season. But our cocoa investees are protected from any sharp price decline as they operate in regulated markets, where the price is fixed and guaranteed by government bodies at the start of the harvest season.

The lack of financing to buy raw cashew nuts in Ivory Coast may reduce the availability of cashew kernels in the coming weeks. This may lead to a gradual increase in cashew prices, which are currently at low levels.

Increasing pipeline and stable asset-class allocation are set to reduce liquidity

Given this market assessment, we expect a further normalisation in our core agricultural product markets, allowing the Fund to participate in the pickup of demand and to finance the upcoming harvest seasons. The first half of the third quarter will see more coffee investments towards the end of the Latin American harvest in Colombia and Peru, where we were able to source several new investees.

Investments in Latin America will then be followed by the start of the West African main cocoa harvest. Indeed, we are preparing to finance our long-standing clients in Ivory Coast and potentially add new portfolio companies there. Given this country's size in the global cocoa market, the financing opportunities are considerable and we are currently assessing the possibility of including a guarantee scheme for certain African exposure. This would allow the Fund to increase its exposure to individual companies in Africa.

We are also expecting timely repayments from several agriculture-focused financial institutions as these investments are stabilising with the relaxation of lockdown measures. In order to keep this portion of the portfolio constant, we are planning to reinvest the incoming funds in other financial institutions.

Given the reduction of liquidity, the Fund cautiously expects a normalised return by the fourth quarter and targets a positive net performance for the year 2020.

Legal disclaimer

This information material was produced by responsAbility Investments AG (“responsAbility”). This information material relates to responsAbility SICAV (Lux) Agriculture Fund (“Product”). The source for all information mentioned herein is responsAbility unless mentioned otherwise. The information contained in this information material (“information”) is based on sources considered to be reliable, but its accuracy and completeness are not guaranteed. Any data is purely indicative and is not a guarantee for future results. The information is subject to change at any time and without obligation to notify the investors. Unless otherwise indicated, all figures are unaudited and are not guaranteed. Investment opportunities also involve risk. Any action derived from this information is always at the investors’ own risk. This information material is for information purposes only, and is not an official confirmation of terms. The value of an investment and any income from it are not guaranteed. Changes in the assumptions may have a substantial impact on the return. Past performance is no indication of current or future performance, and the performance data do not take account of the commissions and costs incurred on the issue and redemption of shares. An annual fee shall be charged for the administration, asset management and distribution services provided for this financial product. The maximum amount of this management fee shall be based on the prospectus. This information is not intended as an offer or a recommendation or an invitation to purchase or sell financial instruments or financial services and does not release the recipient from making his/her own assessment. In particular, the recipient is advised to assess the information, with the assistance of an advisor if necessary, with regard to its compatibility with his/her own circumstances in view of any legal, regulatory, tax, investment-related, and other implications. Investments held by the financial product described in this information material are associated with a higher risk than investments in more developed markets or countries. Investors are expressly made aware of the risks described in the prospectus and the lower liquidity and greater difficulty in determining the value of the fund’s investments (which are generally unlisted and not traded), and must also be prepared to accept substantial price losses including the entire loss of their investment. responsAbility and/or the members of its board of directors and employees may hold shares in the financial product (or any related investments) mentioned in this information material and may add to or sell these positions from time to time. Additionally, the members of the board of directors and employees of responsAbility may serve as members of boards of directors of the investments in which the financial product is invested. This information material is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under applicable law. The financial product specified in this information material is not licensed for distribution in the United States of America. As a result, it may not be offered, sold, or delivered there. Neither the present information material nor copies thereof shall be sent or taken to the United States of America, or issued in the US or to a US person (in the terms of Regulation S of the United States Securities Act of 1933, in the respective current version). Subscriptions are only valid on the basis of the current sales prospectus and the most recent annual report (or semi-annual report, if this is more recent). The prospectus, the management regulations, and the annual and semi-annual reports may be obtained free of charge from responsAbility Management Company S.A., Luxembourg, from the Swiss representative, the paying agent and from any distribution partner. This information material may not be reproduced, stored in a retrieval system, or transmitted, in part or in full, in any form or by any means, whether electronically, mechanically, photocopied, recorded, or otherwise, without the prior written consent of responsAbility.

Denmark: The Product is notified with the Danish Financial Supervisory Authority (Finanstilsynet) and may only be distributed to professional investors within the meaning of the Danish Alternative Investment Fund Managers etc. Act (Act No. 598 dated 12 June 2013). Finland: This information material does not constitute an offer to the public in Finland and may only be distributed to investors who qualify as “professional clients” under the Finnish Act on Investment Services (747/2012, as amended). This information material does not constitute a prospectus under the Finnish Securities Market Act (746/2012, as amended), the Finnish Act on Common Funds (48/1999, as amended) or the Prospectus Directive (2003/71/EC, as amended) and the distribution of this information material is not authorized by the Finnish Financial Supervisory Authority. France: The Product is an alternative investment fund (AIF) within the meaning of Directive 2011/61/EU (AIFMD), which is authorized to be marketed to professional investors in France in accordance with Articles L. 214-24-1 and D. 214-32 to 214-32-4-1 of the French Code monétaire et financier, Articles 421-1A to 421-37 of the General Regulation of the Autorité des marchés financiers (AMF) and Instruction 2014-03 of the AMF. This marketing material constitutes promotional material as defined in Article 421-25 of the General Regulation of the AMF. It is provided for information purposes only and may not be relied upon to make an investment decision. No decision to invest in Product should be made without prior review of the complete investor information documents required by applicable laws and regulations, which are available free of charge in the English language at www.responsability.com. This marketing material is intended exclusively for, and may only be distributed to professional investors as defined in Articles L.533-16, D.533-11 and D.533-12 of the French Code monétaire et financier. Germany: The Product is registered for distribution to professional and semi-professional investors in Germany. Luxembourg: The product was approved by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. Custodian is Credit Suisse (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg and Distributor is Credit Suisse Fund Services (Luxembourg) S.A., 5, rue Jean Monnet, L-2180 Luxembourg. The Netherlands: The Product described herein is registered for distribution in the Netherlands to professional investors within the meaning of the Dutch Act on Financial Supervision and the interests in the Product described herein may therefore only be offered upon issue or thereafter, and whether directly or indirectly, to professional investor within the meaning of the Dutch Act on Financial Supervision. Norway: The Product is authorised for distribution to professional investors defined under the Section 10-2 of the Regulations to the Securities Trading Act in Norway and regulated by Finanstilsynet, the Financial Supervisory Authority of Norway. responsAbility Nordics AS is authorised in Norway and regulated by Finanstilsynet, the Financial Supervisory Authority of Norway. Sweden: This information material is not subject to any registration or approval requirements in Sweden under the Swedish Investment Funds Act (SFS 2004:46). This information material has therefore not been, nor will be, registered or approved by the Swedish Financial Supervisory Authority. This information material may not be made available to the public, nor may the shares of the Product be marketed and offered to the public in Sweden. Switzerland: This Product is not authorized for distribution to the public in Switzerland. The present information material is therefore strictly limited to internal use and may not be passed on to any third party, unless (i) such third party has solicited so on its own initiative, or (ii) such third party is a qualified investor under the terms of the Swiss Federal Act on Collective Investment Schemes and related regulations. The representative of the Fund in Switzerland is Credit Suisse Funds AG, Zurich. The paying agent in Switzerland is Credit Suisse AG, Zurich. With respect to units distributed in Switzerland and out of Switzerland, the place of performance and jurisdiction is deemed to be the registered office of the Representative in Switzerland.

© responsAbility Investments AG, 2020. All rights reserved.

responsAbility Investments AG

Josefstrasse 59
8005 Zurich
Switzerland

Phone +41 44 403 05 00
Fax +41 44 403 04 91

www.responsability.com
info@responsability.com