



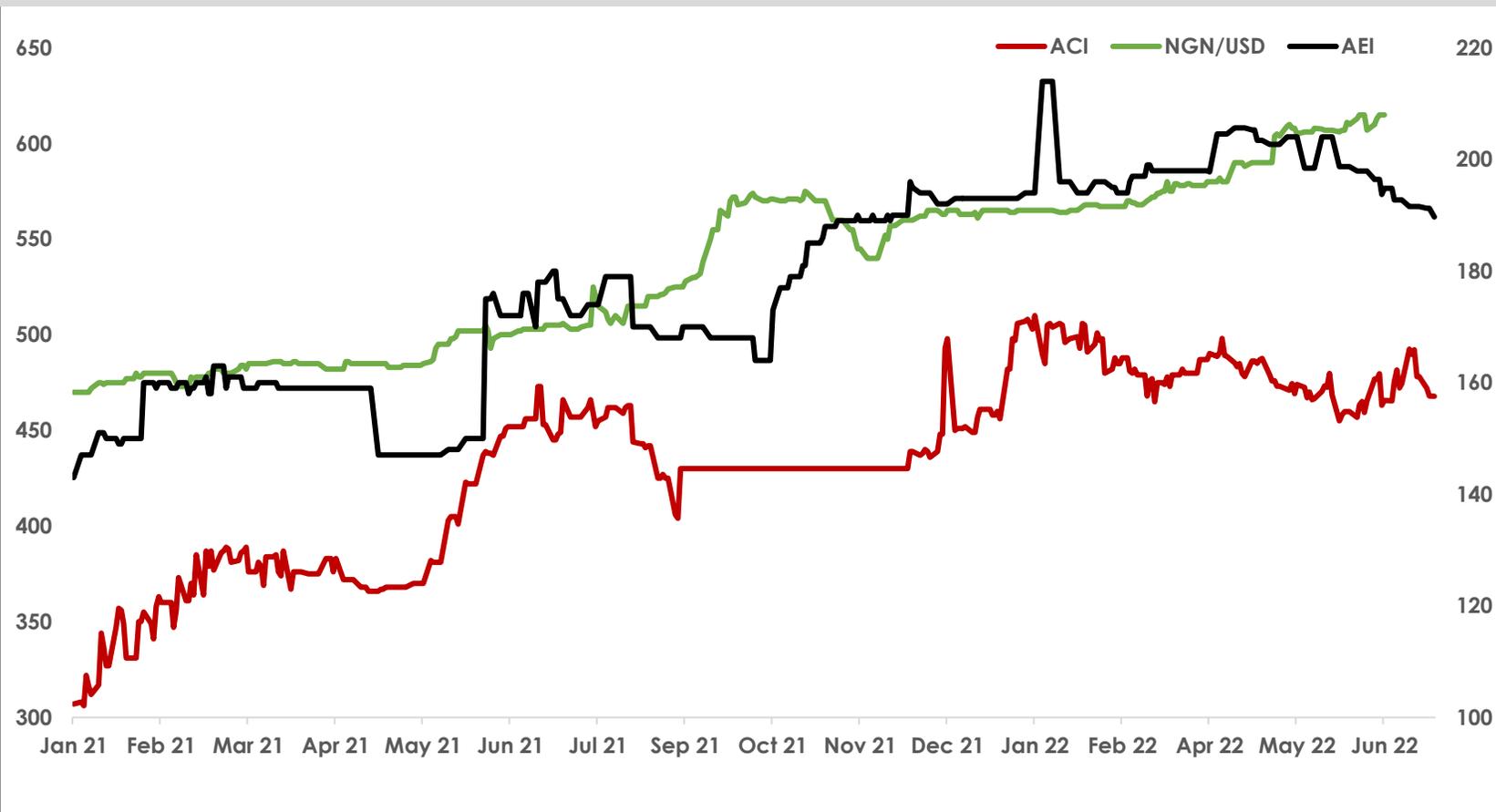
Q2 2022 Capital Market Committee Meeting

Ayodeji Balogun – Chief Executive Officer

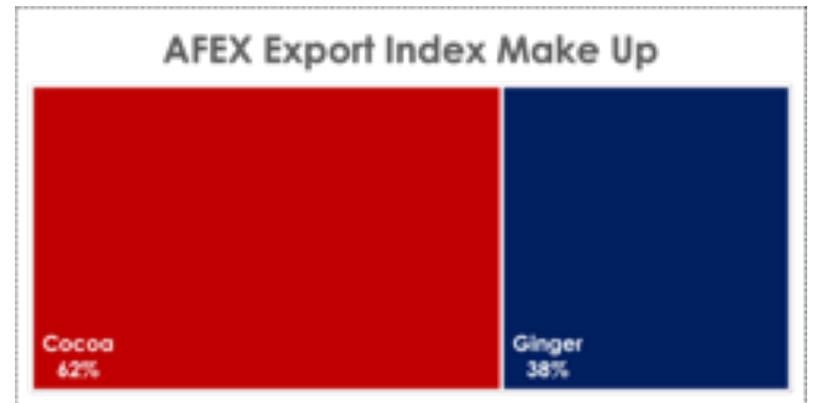
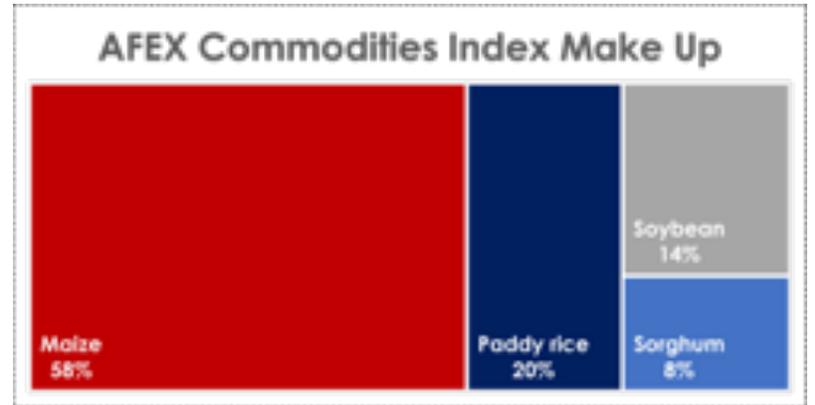
Sustained Level of Trading Activities on the Exchange (1/2)

Trading activities on the Exchange during the quarter under review have been slightly volatile as reflected in the choppy movement of the Exchange's indices. Another enduring highlight is the high positive correlation between the ACI and the Naira/US Dollar Exchange rate (parallel); **0.8**, reinforcing the sentiment that investing on the exchange serves as an FX volatility hedge.

AFEX Indexes - NGN/USD



▲ ACI stD*	8.72%	▼ AEI stD*	-0.17%
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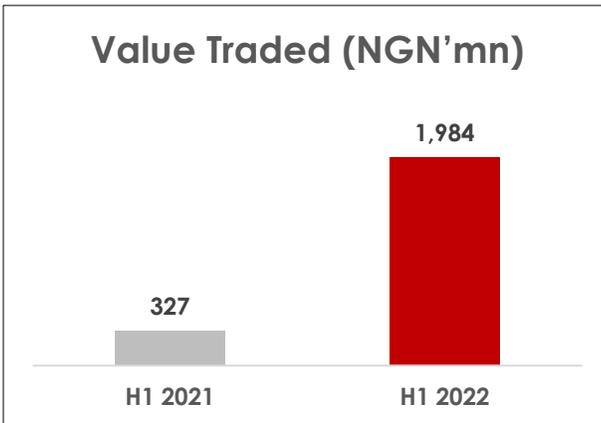
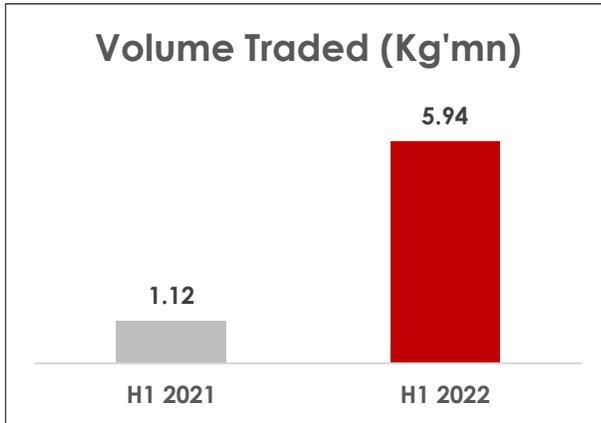


* As at June 30th 2022

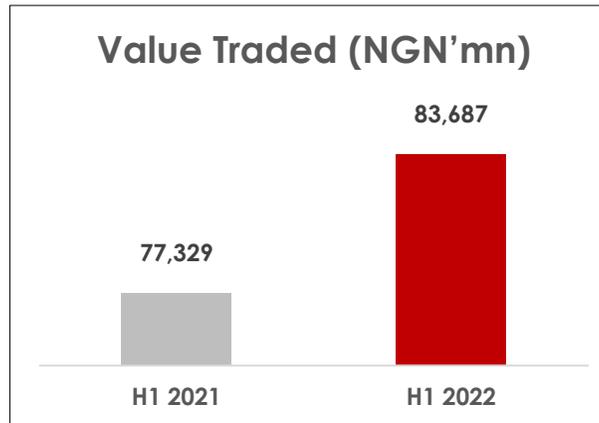
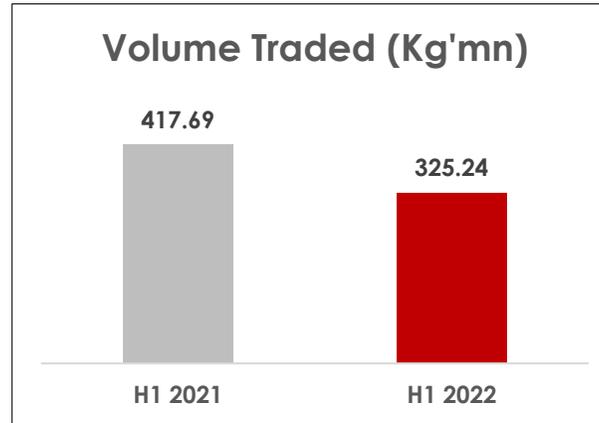
Sustained Level of Trading Activities on the Exchange (2/2)

Liquidity on the Exchange continues to increase, as demonstrated by 144.60% and 169.00% increases in volume and value traded of securitised contracts on the Exchange. This sentiment is also on the physical market. The price performance of individual contracts on the Exchange is also positive year-to-date.

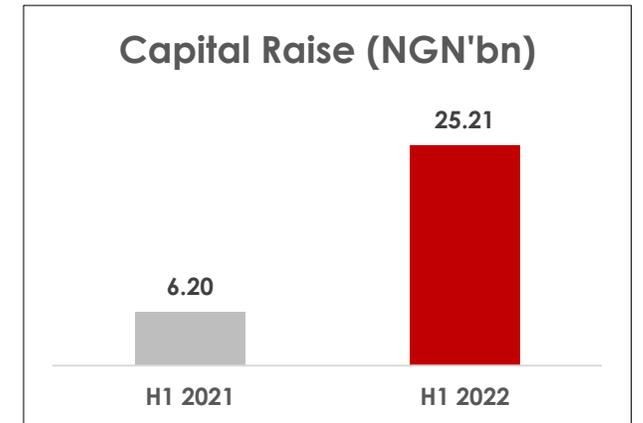
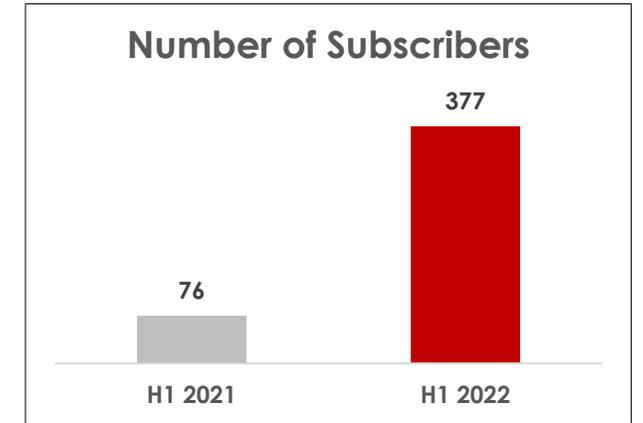
Spot Contracts



Physically Delivered Market



Fixed Income Market



Product Development Initiatives

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Updates on the Exchange's Product Development Initiatives

AFEX is not relenting in its goal to be a multi-commodities trading platform as it continues to frontier the development of various investment assets for capital market participants. These products are at different stages of development, as highlighted below:

Objectives



- Develop products and services; risk hedging & investment management strategies.
- Design and introduce appropriate benchmarks to support the financing objectives of financial institutions.
- Continuous assessment of commodities market and business environment validation.

Steps Taken



- Identification and engagement of potential synergistic partnerships.
- Preliminary engagements (surveys and personal interviews) with market participants to gauge the market appetite for derivatives products.
- Policy and regulatory compliance engagement with relevant stakeholders, internal and external.
- Market engagements and education in the form of ongoing webinars and roadshows.

Updates



- We are finalizing the product structure and specification of **five futures contracts**.
- We are engaging both FMDQClear and NGClearing as Central Clearing Counterparty (CCP) partners.
- We are discussing with DGCX to advance the implementation of precious metals derivatives.
- Contract registration of AFEX Gold Spot Contracts is ongoing with the Commission, pending approval.

Derivative Product Development – Futures Contract

Futures Contract	Underlying	Contract Months	Settlement	Players		
Maize Futures		Mar, Jun, Sep, Dec	Physical Settlement	Farmers	Traders	Food & Beverage Feed Mills
Sorghum Futures		Mar, Jun, Sep, Dec	Physical Settlement	Farmers	Traders	Food & Beverage
Soybean Futures		Mar, Jun, Sep, Dec	Physical Settlement	Farmers	Traders	Food & Beverage Feed Mills
Gold Futures		Monthly rolling futures	Cash Settlement	Foreign Investors	Retail Investors	Insti. Investors
Index Futures		Monthly rolling futures	Cash Settlement	Foreign Investors	Retail Investors	Insti. Investors

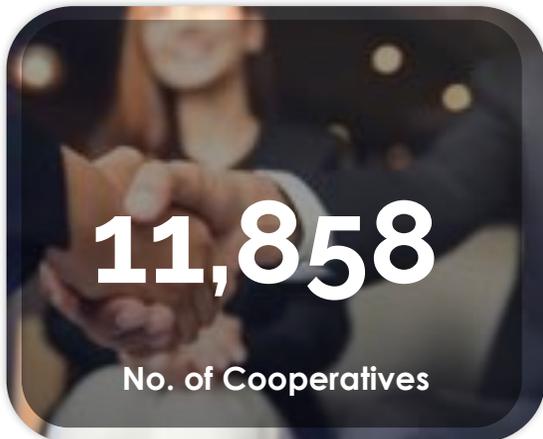
Market Development Efforts

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AFEX Input Note Programme 2022

In line with its goal of facilitating an accessible means of financing to smallholder farmers to obtain quality inputs while simultaneously providing an avenue for investors, retail and institutional, to diversify their investment portfolio. AFEX developed and issued its Input Notes in **Q2 2022**; the 9-month note was also **shariah-compliant**, opening the issue to ethical investors. The net funds will be used to acquire fertilisers and seedlings to cultivate grains, oilseeds and export commodities.



*Inputs include Fertilizers, Seedlings, Extension services etc

Market Education - Trainings and Engagements

In line with the Exchange's mission to increase the capacity of its market participants, during the quarter, the Exchange participated in various training and engagements. Some of these are highlighted below.

Notable Events During the Quarter

01.

Global Trade Review West Africa (GTR West Africa)

Our MD, AFEX Investment Limited, Samirah Ade-Adebiyi, joined an expert panel to discuss the growth and financing of the export industry in the country alongside real-life challenges that hamper agricultural export operations.

02.

Monthly Investors' Knowledge Sharing Sessions

Our retail team organises regular sessions during the quarter to increase investors' knowledge about the commodities and financial markets at large.

03.

Agri-Investment & Capital Market Conference

Our COO, Akinyinka Akintunde, gave a keynote speech at the conference, where he emphasised the integral role in supporting and creating opportunities for agribusinesses. He further highlights the role AFEX is playing in financing the agricultural value chain

04.

Africa FinTech Summit

Our COO, Akinyinka David Akintunde together with other thought-leaders at the summit discussed the symbiotic relationship between policies facilitating intra-African trade and cross-border payment and settlement infrastructure.



Empowering Local Farming Communities – One Million Cocoa Trees Planting Initiative

AFEX launched the **one million Cocoa Tree Planting Initiative**. The initiative would see AFEX plant one million cocoa trees across cocoa-producing regions in Nigeria.

The flag-off ceremony, hosted by His Imperial Majesty (H.I.M), Ooni Adeyeye Enitan Ogunwusi, Ooni of Ife, took place on Friday, 20 May 2022, at the Ooni's palace in Ile-Ife, Osun State. The ceremony marked the beginning of a long-term commitment to reach 50,000 farmers in 5 years to enable their transition to sustainable cocoa production with immersive training on best agronomic techniques, assured access to finance, structured markets, and secure commodity storage.



Strong and Growing Relationships With CMOs & Financial Institutions



Appendix

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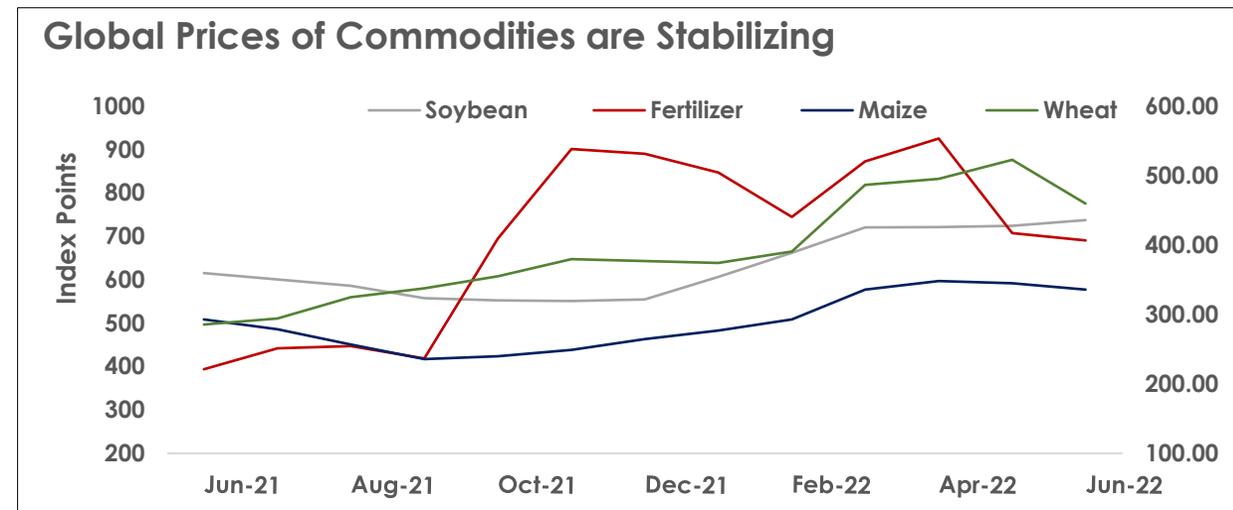
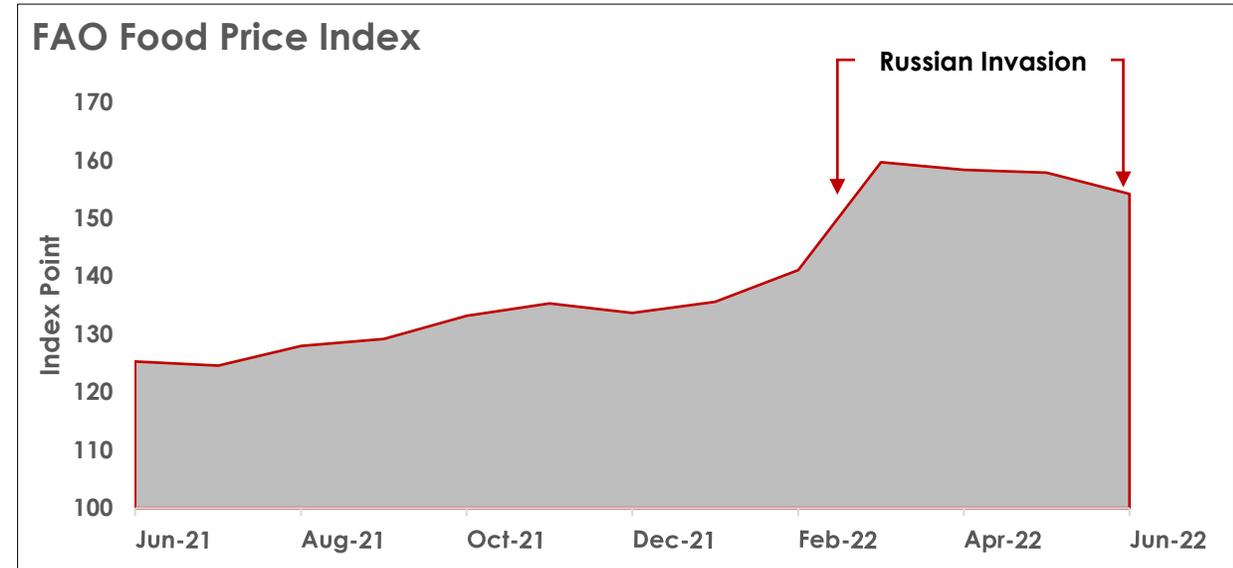
Fallout from the Ukraine-Russia Crisis

A Long-Term Problem, Not Just an Immediate Crisis

- Aside Ukraine, other countries have been hard-hit by food shortages fostered by the Russian invasion
- Additionally, Russia's role as a global oil and gas exporter has resulted in significant increases in energy prices, affecting households worldwide
- Climate change will increasingly disrupt food production, which means mechanisms must be in place for future stresses and shocks.

Recommendations

- ❖ **Disincentivize knee-jerk reactions:** 23 countries have imposed protectionist export measures since Russia's invasion, accounting for 17.3 per cent of total traded calories.
- ❖ **Address the food-pricing crisis:** Provide concerted humanitarian relief to the most vulnerable and increase funding to humanitarian organizations that have seen their transport and food procurement costs soar.
- ❖ **Preempt the food-availability crisis:** Encourage developing countries to diversify their import sources, adopt new gene-editing tech to boost crop yields, and support African countries to tap into existing deposits of raw materials to ramp up their fertilizer output.
- ❖ **Facilitate better coordination on trade:** The current crisis is laying bare the importance of trade coordination, not protectionism, and should be used as a springboard to implement initiatives such as the African Continental Free Trade Area.



Source: FAO, IMF, World Bank Pink Sheet, AFEX Research

Global Food Insecurity at a Glance

All countries/territories with major food crises mainly driven by conflict were affected by either weather extremes, economic shocks due to the COVID-19 pandemic, or both. These two drivers often fuel tensions and conflicts by increasing competition around limited natural resources and income opportunities.

In 2020

768 Million

Were chronically hungry (undernourished globally)



In 2021

193 Million

Experienced acute hunger across 53 countries

In 2022 so far

As of June 2022, **868 Million** People do not have sufficient food consumption across **92 countries**.

Chronic hunger

Means that people are not able to meet food consumption requirements long-term (also referred to as undernourishment)

Chronic hunger

Countries with the highest prevalence of undernourishment:
Somalia, Haiti, Yemen, Madagascar, Democratic People's Republic of Korea, Liberia, Democratic Republic of the Congo

Acute hunger

Means that people are not able to meet food consumption requirements in the short term, often due to different crises

Acute hunger

Countries with the worst food crises in 2021
Democratic Republic of The Congo, Nigeria, Sudan, Pakistan, Haiti, Yemen, Ethiopia, Syria, South Sudan, Afghanistan

Top 4 crisis or emergency livelihood coping strategies observed in 7 West African Countries*

	June 2022	July 2022	August 2022
Purchase food on credit or borrowed food	66%	67%	66%
Borrow money	51%	51%	50%
Spend savings	46%	46%	46%
Consume seed stocks meant for saving	38%	34%	33%

*Burkina Faso, Cameroon, Chad, Guinea, Mali, Niger, Nigeria

Leading Paradigms in the Nigerian Agricultural Commodities Market

Population Growth

Population changes include ageing and population explosion, an increase in the birth rate and migratory flows. These trends will have remarkable impacts on Nigeria's economic and social structures. Specifically, the rebalancing of society and population will significantly affect how people nourish themselves.

Geopolitical Balances

Conflict and violence exacerbate food insufficiency in Nigeria, as highlighted by renewed attacks by various armed groups and agitators. Ethnic, religious and political tensions heighten these attacks. Families are losing their sources of livelihood daily. One of the terrible manifestations of widespread deprivation in Nigeria is child poverty, resulting from insufficient family livelihoods.

Environmental Aspects

The agricultural industry will be highly driven by increasing responsibility for protecting the environment. The severe water stress, electricity production that depends too much on fossil fuels, and the severe risk of biodiversity loss raise the growing alarm regarding environmental sustainability.

Connectivity and Information

The enormous availability of data and information that can be found today, more freely, in real-time, and with new methods, is a positive result of the significant changes underway. This will affect many potential developments in the food industry, supply chain management, and safety control.