

FUND OVERVIEW

MESSAGE FROM THE CEO



Brienne van der Walt
Chief Executive Officer

Even though the COVID-19 outbreak only started to impact economic activity in Africa in the last weeks of March, an overview of where the SGB Fund stands at the end of Q1 would be amiss without referring to it and to the impact already visible by then.

Q1 was a period of muted disbursement activity for the Fund as we ratcheted up our focus on quality. As a result – just as towards the end of 2019 – the number of deals declined at the Financing Committee increased markedly and in contrast to earlier robust growth. However, lower investment activity is not altogether inappropriate considering the Fund’s liquidity was already limited at the beginning of 2020 and will become even more so as we approach the Fund debt-to-equity risk ratios, together with realisations taking a nosedive as clients protect their own cashflows at all costs.



Cobus Wells
Chief Investment Officer
for Africa

In fact, it was with realisations at the end of March that we noticed the first impact of the virus outbreak on the Fund, through a rapid drop-off in clients paying their contractual obligations on time. In these highly unusual times, we clearly see the value of being able to rapidly customise and deploy business support, specifically to deal with the impact of the virus outbreak. Even at the time of writing this overview the only support received by these fragile SMEs – despite many of them already having hit a cashflow crisis – has been the constant engagement and advice from their respective GroFin investment manager, together with payment moratoriums where requested and warranted.

I have little doubt that our business support will be tested in 2020 like it has never been tested before, helping to reduce the calamitous economic outcomes of business failures and job losses that will materialise over the coming months. But we also believe it will be the SME business segment that will pull Africa out of this crisis over the coming years. When they do, GroFin and our investors will be there to help them make it happen.

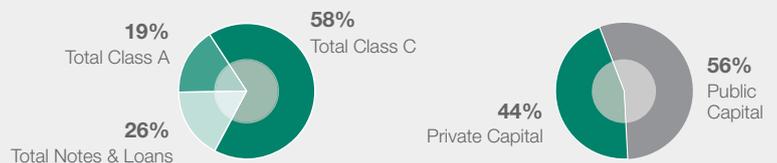
CAPITAL OVERVIEW

As at Q1 2020

GroFin SGB Fund capital raised....**USD 115.6M**

Number of investors.....**11**

Capital Structure (NAV)



QUARTERLY HIGHLIGHTS

Investors

Both the Norfund Board of Directors and Executive team visited Binti Africa, a GroFin Tanzania client, to see the impact of Norfund’s investment in the SGB Fund and gain a better understanding of GroFin’s support in helping emerging market SMEs achieve their potential.

Business Continuity

Although remote working, cloud-based technology infrastructure, and collaboration via shared online workspaces have become mainstream in developed countries, this is often still not the case in emerging markets. Due to investments in our technology infrastructure over the last year or two, GroFin could rapidly switch all of our teams in fifteen countries over to working-from-home when government lockdowns kicked in. This meant that staff could quickly pivot their focus back to clients to support them, and in some instances even help them make the switch to the myriad of digital tools and channels available to continue with their business operations.

Business Support

Cobus Wells, newly appointed Chief Investment Officer for Africa, and Marius Ittmann, newly appointed Business Support Executive, visited SGB clients in Kenya and Uganda to offer them support on the ground and gain better understanding of their businesses and operating environment.

Industry networking

GroFin joined nearly 1000 delegates from the impact investment and development finance industry at the Sankalp Africa Summit, held in Nairobi in February. The event focused on how entrepreneurial success can contribute to achieving the UN’s Sustainable Development Goals in Africa by 2030.

Deal Generation

GroFin launched a company-wide initiative, #Onthemove, to strengthen deal generation. Every alternate Wednesday, Investment Managers across all GroFin offices got moving to meet prospective new clients. The first #Onthemove initiative yielded 27 promising new prospects.

PORTFOLIO

OVERVIEW

As at Q1 2020

SME disbursements.....USD 121.3M

Total portfolio balance.....USD 102.8M

SMEs invested in.....218

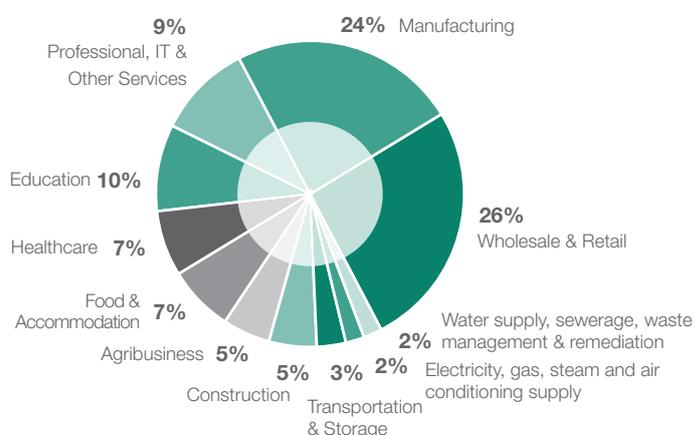
GroFin offices across Africa.....11

During Q1 2020

New SMEs invested in.....1

SME disbursements.....USD 576K

GroFin SGB Fund disbursement (%) by sector



INVESTEE SPOTLIGHT

DAYBREAK POWER SOLUTIONS



Daybreak Power Solutions is a renewable energy and power integration company which provides solar power to mid-sized household, commercial and large industrial customers in Nigeria.

Daybreak struggled to access traditional funding because of the complexity a transaction with them entailed and lack of a legal mortgage for security. GroFin provided the company with USD 608,048 in financing after a detailed due diligence and developing the appropriate structure for the transaction.

This investment enabled Daybreak to more than double its total installed energy capacity to 1,191.5 kWp through the installation of solar power plants at 23

additional sites. It now operates 64 sites across the country and its clients include large companies like Pampers, Stanbic, and Union Bank.

This growth and the confidence in the company GroFin’s investment demonstrated, means that Daybreak can now easily access local bank loans at low interest rates. It successfully exited the GroFin SGB Fund at the end of 2019 after securing a private equity investment of over USD 10m. In the words of the Daybreak CEO, Jasper Hardenberg: *“I believe GroFin’s support for Daybreak is a great success story of transitioning a small business with very few options of financing to a bigger business that has many options.”*

GEOGRAPHIC BREAKDOWN OF PORTFOLIO BALANCE

Total portfolio balance by country



COUNTRY	% OF PORTFOLIO (GROSS)
SOUTH AFRICA	7.4%
ZAMBIA	5.9%
TANZANIA	6.1%
RWANDA	10.4%
KENYA	14.5%
UGANDA	13.2%
EGYPT	16.4%
LAGOS	11.8%
GHANA	6.6%
IVORY COAST	5.8%
SENEGAL	1.3%
TOTAL	100%

GENDER LENS INVESTMENT

OVERVIEW

As at Q1 2020

Women-owned & managed** businesses financed.....	91
Disbursements in women-owned & managed** businesses....	USD 43.8M
Women-owned* businesses financed.....	36
Disbursements towards women-owned* businesses.....	USD 14.2M
Direct women jobs sustained.....	5,186

During Q1 2020

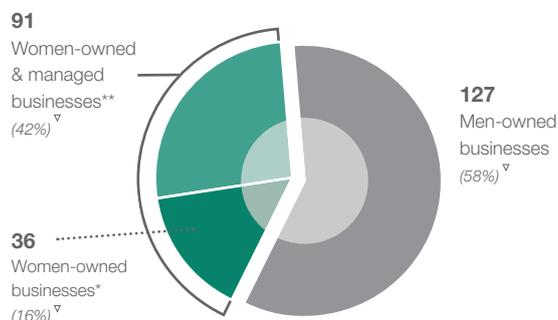
Women-owned & managed** businesses approved.....	1
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* Businesses with women holding ≥ 51% of shares.

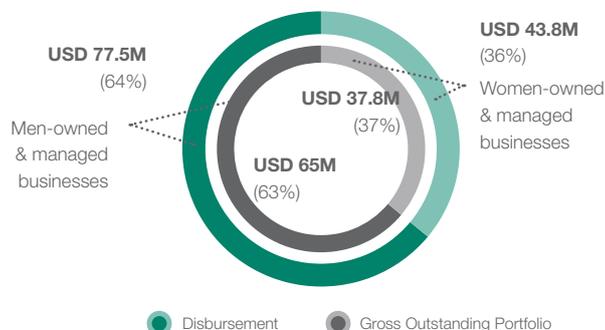
** Businesses financed with women holding at least 20% of shares and part of executive leadership (Chair person, Managing Director, CEO, COO, Director, etc.) of the company.

Composition of Investees by Gender

▽ % of investees in SGB portfolio



Disbursement & Gross Outstanding Portfolio



GENDER LENS INVESTMENT

GroFin celebrates International Women’s Day

GroFin took part in the official International Women’s Day social media campaign, #EachforEqual, with offices sharing pictures and messages in support of gender equality. The #EachforEqual campaign highlighted that each of us can actively choose to challenge stereotypes, fight bias, broaden perceptions, and celebrate women’s achievements. We used traditional media in Kenya, Uganda, and Nigeria to showcase the success stories of our women clients and reiterate our commitment to supporting women entrepreneurs.

GroFin Senegal hosted around 25 women entrepreneurs at an event to celebrate the day and discuss the crucial need for access to finance for women-owned businesses. The event reiterated GroFin’s commitment to supporting women entrepreneurs in Senegal.



“I would like to ask, on behalf of the women here, for regular meetings like this where GroFin can take part in the development of our businesses. Meetings where we can discuss our difficulties as women and receive the support we need to solve our problems on our own.”

Professor Fatou Gaye NDIAYE, Director and co-founder of École Dentaire Internationale (EDI)



BUSINESS SUPPORT

OVERVIEW

As at Q1 2020

Entrepreneurs who received pre-investment business support...**2,106**

Entrepreneurs who received post-investment business support.....**218**

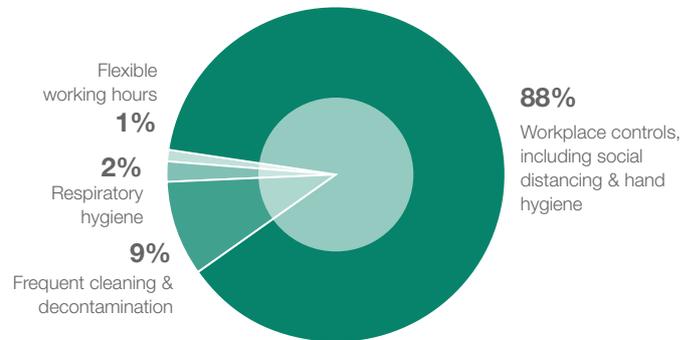
During Q1 2020

Entrepreneurs receiving pre-investment business support.....**108**

Entrepreneurs receiving post-investment business support.....**139**

COVID-19 ESG FRAMEWORK

Measures implemented by active portfolio clients as at end of Q1 2020



New leadership supports clients on the ground

Cobus Wells, newly appointed Chief Investment Officer for Africa, and Marius Ittmann, newly appointed Business Support Executive, visited SGB clients in Kenya and Uganda. Cobus and Marius not only gained a better understanding of the businesses they visited, but also of the environment that GroFin’s clients operate in. They were also able to share their knowledge and experience with clients and GroFin’s local investment teams.



Cobus Wells
Chief Investment Officer for Africa

“It is important to meet clients as it gives you the opportunity to get to know the individual. If you are not in your clients’ office engaging with them to understand their business strategy, you cannot be a trusted partner to them.”



Marius Ittmann
Business Support Executive

“Visiting clients in person helped me to get a better appreciation for the challenges they face. These challenges are not always easy to put down on paper. I could engage with the entrepreneurs to hear what keeps them awake at night and to a better feel for how they manage their businesses.”



GroFin’s response to COVID-19

GroFin’s cloud-based information technology infrastructure meant that our operations could continue while staff worked from home during COVID-19 lockdowns. We also focused on continuing to support our clients during this difficult period.

GroFin’s Impact team developed a COVID-19 Environmental, Social, and Governance (ESG) framework, drawing on international best practise. Our Investment team assisted and advised clients to implement the framework to help minimise contagion risk to their own employees and customers.

We focused on helping our investees to build short-term resilience to survive until their respective countries open for business again. We provided clients with a resilience tool kit and helped them to unpack the likely impact of the virus outbreak on their business income and their supply chains. We also advised them on steps to take to protect cashflows. Our team will repeat this exercise over the coming months.

One SGB client, Highlands School in Rwanda, has found a simple but ingenious way to continue teaching despite the closure of schools in the country. The school uses WhatsApp to send assignments to pupils, who then reply with pictures of their written answers. This allows learning to continue even when pupils don’t have access to desktop computers or stable internet access.



IMPACT

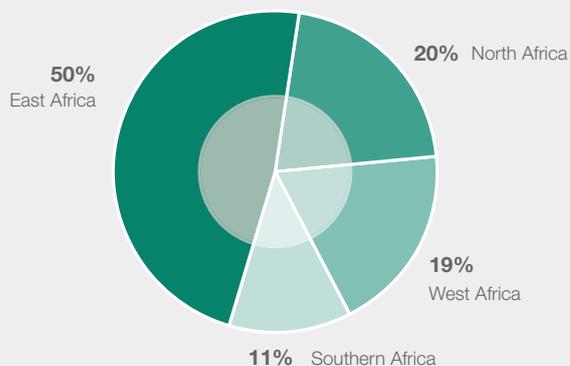
OVERVIEW

As at Q1 2020

Direct jobs sustained.....	15,303*
Total jobs sustained.....	47,100
Total livelihoods sustained.....	235,500
Direct jobs sustained per USD 1M disbursed.....	126

**also includes workers that have been sent on paid and unpaid leaves during the lockdown period. As at the time of writing we are busy conducting an assessment to determine how many job losses are permanent.*

Direct Jobs Sustained per Region



During Q1 2020

- The SGB Fund’s portfolio added 359 new jobs in Q1 2020, through new direct jobs created by existing portfolio clients and also jobs from a new client invested in. The quarter also saw a loss of 905 direct jobs from 17 client businesses. Two investees accounted for 700 of these job losses: An Egyptian client in the construction sector and a Rwandan client which provides landscaping and security services. These businesses were forced to close due to lockdown measures against COVID-19, causing project delays which lead to permanent job losses.
- As a result, there was a net decrease of 614 direct jobs sustained by SGB investees in Q1 2020, compared to Q4 2019. These include jobs lost by clients who were already struggling before the COVID-19 crisis, as well as businesses that found it difficult to sustain employment following the impact of COVID-19.
- The full extent of the impact of the COVID-19 on employment at client level will be assessed during Q2 2020.

INVESTORS



Norfund visits Tanzanian investee

Norfund has been an investor in SGB since the Fund was established in 2014 and has a longstanding relationship with GroFin dating back even further. The Norfund Board of Directors and Executive team recently visited Binti Africa, a woman-owned clothing manufacturer in Tanzania and one of the SGB Fund’s investees.



Binti Africa - GroFin SGB Investee



Binti Africa presents a great example of the value of funds in creating jobs and improving lives in developing countries.

Tellef Thorleifsson CEO of Norfund

BENEFICIARY SPOTLIGHT



DJEKA PHARMACO, IVORY COAST

Dibi Affoué Françoise, heads up Djeka Pharmaco’s unit for Bioactive Substance Extraction. She says she struggled to find a job in the sector she is trained in. Dibi supports five people, including her elderly mother as well as her brother and sister – who are both unemployed.



As a woman, I can support myself. I am happy, because it is not easy to find a job. It is not something that is given to all. I am proud to be able to help others in difficult times. My job at Djeka Pharmaco helps me bring a smile to my 70-year-old mother, who is a widow, by supporting her.”

Dibi Affoué Françoise, Djeka Pharmaco employee