An impact investment fund manager for small and growing businesses at the base of the SME pyramid.

Emigoh
SGB Fund Investee, Ghana

$ + ✔ = ✰
Finance Expertise Success
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Ndurwa Millers
SGB Fund Investee, Uganda

Abo Arab Haider
NJF Investee, Jordan
Life has a habit of reminding us every now and then that we are not always in control and that our well thought-out plans and strategies can quickly be laid to waste. For almost all of humanity, the plans we had at the beginning of the new decade have either been delayed, changed, or cancelled altogether due to the outbreak of the novel coronavirus.

In January, GroFin appointed a new CEO and strengthened its executive and senior management team through senior appointments. With new leadership comes an infusion of new ideas and often a change in direction. However, the outbreak of the virus meant we had to quickly reprioritise and shift our focus to deal with immediate needs.

Managing the impact of Covid-19 for the best outcome has, therefore, been our top priority since the end of March 2020. The focus is on supporting GroFin’s SME portfolio businesses through the crisis to ensure the preservation of thousands of jobs and livelihoods. We believe we have the resources and know-how to do this.

We know the impact on economies, businesses, and jobs will be severe. And we know emerging markets will suffer more because health and economic buffers are very thin or lacking altogether. Therefore, 2020 must not become the year we shy away from risk. If we do, it will create a domino effect of very high business closures, job losses, and loss of capital that will make the loss curve so much deeper and longer before we can return to anything resembling progress. Together with other impact and development finance fund managers, GroFin forms the link between SMEs and impact investors to avoid these worst-case scenarios.

Now, more than ever, SMEs need not only financial but also technical support. We have seen the clear advantages that GroFin’s business support capability has brought our SME clients. With full historic context of each SME and its management capabilities, our business support programme rapidly put in place a resilience program tailored to the needs of each GroFin client to measure and address the impact of Covid-19. This allows GroFin to allocate financial and technical support in accordance with each business’ need and to support our clients to manage their businesses through the economic downturn.

The remainder of 2020 will be spent on repositioning each client’s strategy and operations to the new normal, where they can expect shifts in the preferences and expectations of employees and customers. As part of our ‘reignite’ program, we partnered with DFI-funded technical advisors to assist our clients with this recovery phase.

To us this crisis reaffirms the value of GroFin’s hands-on ability to assess feasibility and manage risk at the SME client level, and to do so at scale. New business opportunities, as well as new ways of doing business, will emerge from all of this and we look forward to supporting the many creative entrepreneurs that again will help rebuild their economies.

Finally, we want to express our deep appreciation to Guido Boysen, who stepped down as CEO. He has made an immense contribution to GroFin and has been a central part of the impact achieved in 2019 and prior years. We wish him every success in his future endeavours.
At the time of writing this report, the COVID-19 virus is creating havoc around the world. First and foremost, the pandemic is a health crisis that affects millions of people around the world. As with most calamities, the weak and vulnerable are hardest hit.

Apart from the impact on the health of populations, local economies will significantly be affected by the measures to contain the virus. Though it is not yet clear how severe and how long the impact will be, the developing world will not escape economic slowdown or even contraction. Investment and consumption will slow down, remittances will drop, commodities prices are already at a low, travel has come to a standstill and government debt is likely to rise. And like the health crises, the vulnerable segments of the private sector – small and growing businesses - will suffer most.

As is, the mortality rate of SMEs is already disproportionately high. Studies show that 70% of small companies do not survive their 5th anniversary. COVID-19 will significantly increase the fatality rate of these businesses. Their dependence on a key person, a key client or a key supplier make them particularly vulnerable to shocks. Millions of local retailers, travel agents, schools, hotels, restaurants and small manufacturers around the world will collapse. And each failed small company represents an entrepreneur whose dreams are shattered, employees who no longer have a job to support their families and local suppliers who lost their clients.

In the developed world, governments have acted quickly to implement massive support programmes for local businesses. But unfortunately, in the developing world, such programmes will be limited in scope, depth and reach. Local governments simply do not have enough resources and capacity to launch similar stimulus packages. Hence, more than ever, small companies need a supporting ecosystem to help them through this crisis.

Alternative financiers like GroFin, who are flexible, long-term and impact-oriented, and have ‘boots on the ground’ are an essential source of support for local entrepreneurs during these challenging times. We call upon the international development finance and impact investment community to work with organisations like GroFin to provide small companies with the finance and support they require.

In 2019 (BC, or “Before COVID”), GroFin continued its mission of financing and supporting entrepreneurs. We invested in 25 new businesses, deploying US$ 21m of growth capital. Since inception, we have sustained 89,450 jobs. We raised significant capital for our African permanent capital vehicle, the GroFin SGB Fund, from both existing and new investors and established a programme in northern Iraq to support businesses that have suffered from the ISIS occupation. We further invested in our back-office systems, improved our post-finance business support offering, and reviewed our gender lens policies with support of the Mennonite Economic Development Associates (MEDA).

I would like to conclude with a personal note. After a 13-year long career with GroFin, I will step down as CEO at the beginning of 2020 and hand the reins to my successor, Brienne van der Walt, who joined GroFin last year. In those thirteen years, GroFin has grown from a small-scale fund manager to a leading small business financier with offices in 15 countries. I am immensely proud of what we have achieved, servicing a segment of the market that remains largely underserved, supporting 9,630 entrepreneurs since we started.

I am grateful to our investors and funders whose capital and expertise enable GroFin to fulfill its mission, to my colleagues who have remained committed to this field and to all those courageous entrepreneurs whose stories have always inspired me. Lastly, I would like to thank GroFin’s visionary founder, Jurie Willemse, who gave me the opportunity to be part of his dream and whose wisdom has guided me throughout my GroFin journey.
INVESTMENT & IMPACT AT A GLANCE

INVESTMENT

- **Sustainable SME Development Platform**
- US$ 534M Raised capital & grants towards funds
- 34 Investors/funders
- 135 Employees
- 1,100+ Years of cumulative SME experience
- 733 No. of client organisations: SMEs
- US$ 386M Approved for investment
- 20% Average compounded annual growth rate (CAGR) in revenues generated at directly financed and supported enterprises
- 9,630 Non-financial (business) support offered to entrepreneurs and SMEs
- 29,457 Jobs maintained in directly financed enterprises

SUCCESSFUL OUTCOME

- 89,450 Total jobs sustained*
- 5,785 Jobs created at directly financed enterprises
- 9,617 Women jobs maintained in directly financed enterprises
- 196 Women-owned businesses invested in**
- 60% Semi-skilled/unskilled labour***
- 5M+ Client individuals of directly financed enterprises (customers served)
- 13% Start-Ups invested in

ECONOMIC IMPACT

- 447,250 Total family members supported by investees p.a. (Livelihoods supported)
- 5,785 Jobs created at directly financed enterprises
- 9,617 Women jobs maintained in directly financed enterprises
- 196 Women-owned businesses invested in**
- 60% Semi-skilled/unskilled labour***
- 5M+ Client individuals of directly financed enterprises (customers served)
- 13% Start-Ups invested in

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* Total jobs = jobs maintained at directly financed enterprises + indirect jobs sustained
** 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
*** International Labour Organisation Standard Classification of Jobs - Skill Level 1 and 2
GROFIN VALUE CREATION FRAMEWORK

**INPUT**

- **FINANCIAL**
  - Impact-driven capital & grants
  - Strong equity base (GroFin)

- **SOCIAL & RELATIONAL**
  - Long-standing relationships with clients, investors, and partners
  - SME ecosystem

- **INTELLECTUAL**
  - Viability-based finance methodology
  - Unique business support offering

**Strategic & Resource Allocation**

- **HUMAN**
  - Professional and skilled staff
  - Culture of excellence
  - Mission-driven, value-based culture

- **INFRASTRUCTURE**
  - Local office network, close to market
  - Central IST backbone

- **NATURAL**
  - ESG policies and management system
  - Environmentally conscious travel policy

**Governance**

- **Risks & Opportunities**

**INPUT BUSINESS PROCESS OUTPUT**

- **OUTPUT**

  - **FINANCIAL**
    - Capital preservation & realistic returns
    - Return on equity
    - Leveraged capital
    - Leveraged grants
    - Economic value-add

  - **SOCIAL & RELATIONAL**
    - SGBs assisted
    - SGBs financed
    - Growing businesses
    - Direct employment
    - Indirect employment
    - Local value chains enriched
    - Access to goods & services
    - Women empowerment

  - **INTELLECTUAL**
    - Lessons learned
    - Strong GroFin brand
    - Track record
    - Industry best practice
    - Innovation

  - **HUMAN**
    - Engaged and productive staff
    - Deep industry expertise
    - Entrepreneurial skills
    - Economic opportunity

  - **INFRASTRUCTURE**
    - Effective support to entrepreneurs
    - Cost-effective SME finance model
    - Scale and reach in under-served markets

  - **NATURAL**
    - ESG compliance
    - Limited carbon footprint
    - Efficient use of natural resources
    - Eco-friendly businesses

**OUTCOME**

- **IMPACT**

**GroFin Integrated Solution**

- **Impact Investment in SGBs**

- **Return on Investment**

**ADVANCEMENT OF SDGs**

- 2 Zero Hunger
- 3 Good Health and Wellbeing
- 4 Quality Education
- 5 Gender Equality
- 6 Clean Water and Sanitation
- 7 Affordable and Clean Energy
- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 11 Peace and Justice and Strong Institutions
- 12 Responsible Consumption and Production
- 17 Partnership for the Goals

**GroFin Annual Report 2019**

**www.grofin.com**
Investor’s capital is GroFin’s oxygen. Without it, GroFin won’t be able to fulfil its mission of financing and supporting entrepreneurs in Africa and the Middle East. GroFin’s investors recognise that employment is key to alleviating poverty and that jobs are mostly created by the private sector, particularly by small and micro businesses. They entrust GroFin with their scarce financial resources to support entrepreneurs in emerging markets. In exchange, our funders expect that GroFin delivers real, on the ground impact, alongside a sustainable financial return.

We achieved strong results in 2019 in terms of mobilising capital. We raised an additional US$ 43.9m for our funds and programmes which pushed the total capital and grants raised by GroFin since inception to US$ 534m. The GroFin SGB Fund received commitments of US$ 18.6m from both new and existing investors. For example, FMO provided a combination of debt and senior equity earmarked for women-owned businesses. We also raised local funding from the South Africa Jobs Fund through a co-financing partnership that will increase access to affordable finance to South African SMEs. In Iraq, we received additional grant and capital commitments from USAID to support vulnerable communities in the Nineveh province.

As this integrated report shows, impact returns on financial capital remained strong in 2019, though investment activity slowed down across funds and countries. There was some pressure on US$ portfolio returns through a combination of increased credit cost (partly as a result of the implementation of the new accounting standard IFRS 9) and depreciation of local currencies. We continue to optimise the GroFin model to achieve sustainable single digit, net US$ return to our investors.

In 2020, we aim to cautiously grow our assets under management, especially amidst the coronavirus crisis that will impact our markets severely. Focus will be on supporting existing clients to navigate these difficult times and mitigate the impact of the pandemic on our financial capital.

GroFin cannot support entrepreneurs on its own. We work in an entrepreneurial ecosystem with many organisations focused on supporting local businesses. GroFin actively develops partnerships with such organisations, leveraging the expertise that each can bring to the table. One example of such partnership is the new SME investment programme GroFin is managing in northern Iraq. It entails deep engagement with USAID and partners on the ground such as DAI, CrossBoundary and the International Organization for Migration (IOM) to assist in our outreach in this war-torn region. In Jordan, we joined as a member of the Tent Partnership for Refugees, a coalition of members joining forward to support refugee communities. Another example of an emerging partnership is our relationship with EY on the Ripples Programme. This will augment our capacity to deliver business support to our clients. In 2019, we also continued to participate in industry research and studies connected to SME finance.

For 2020, we aim to further develop our support to women entrepreneurs as well as new and stronger partnerships in this area in addition to current partners like Cherie Blair Foundation, VV Grow and ITC SheTrades. We will support the Invest2Impact and the 2X Challenge initiative and work with our new partners FMO and OPIC in advancing our gender lens investments. Lastly, in the wake of the coronavirus impact on businesses, their employees and the communities at large – we will develop a joint response to the crisis together with our key investors and other stakeholders to support the fragile SME ecosystem in our markets.
Human capital is at the heart of our business model. Our people drive success and create value for our SME clients and investors. Local investment teams work closely with entrepreneurs to realise their dreams and grow their businesses. Management and support staff enable our local investment teams to do their job efficiently and effectively.

In 2019, we continued to invest in our staff. We rolled out a Customer Relationship Management training for the Investment function, delivered by our capacity building partner African Management Institute. They also ran a 3-month Coaching for Managers programme to improve our management’s capacity to support their staff. The HR function implemented a Career Development framework for all functions. This framework illustrates how staff can progress in their career, what competencies, skills and training they require and need to demonstrate in order to reach the next level. Lastly, we established a new GroFin team in northern Iraq that will implement a USAID-funded business support and finance programme for local entrepreneurs.

High on the 2020 HR agenda is the implementation of a revised business support training for our investment staff, a credit management refresher course as well as an upgrade of our Human Resource system. We will also implement a gender lens strategy in GroFin, reviewing our current HR practices. GroFin scores well in terms of gender diversity with 41% woman staff members, but we need to aim higher in terms of woman executive managers, currently at 30%.

At the start of 2019, Brienne van der Walt who previously worked as senior executive for ABSA, joined GroFin as its new CIO. In 2020, he will succeed Guido Boysen, who will step down as CEO after a 13-year career with GroFin. New appointees Cobus Wells (CIO) and Marius Ittmann (Business Support Executive) will further strengthen GroFin’s management in the new year.
As a service business, GroFin doesn’t use natural capital in its key processes and therefore, our direct impact on the environment is limited. Our main direct environmental impact is caused by our travel to our places of work, our local offices, and our investor base. Indirectly though, GroFin has an impact on the environment through its finance activities. We are also guided by the principles of ecological economics, whereby GroFin is conscious that the economic system, within which we operate, is embedded within a social system, which is in turn embedded within an ecological system.

As part of our business support offering, we help our investees develop environmental and social management systems that are appropriate for their size and maturity level. We make entrepreneurs aware of Environmental, Social and Governance (ESG) risks and opportunities and how these can potentially impact their businesses and we assist them in formulating and implementing action plans. Most of the issues we encounter are related to workplace health and safety. Environmental impact is often limited because the operations of our investees tend to be small scale.

In 2019, we conducted an audit on our ESG policies and processes. Key observation was that GroFin has a best practice framework in place but some gaps in implementation and reporting were highlighted. This will be a focus area in 2020, starting with an ESG refresher course and enhanced reporting on implementation of ESG actions. Given the coronavirus pandemic, the priority in the first quarter of the year will be on developing a COVID-19 ESG framework for our investees.

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CUMULATIVE GROSS ASSET UNDER MANAGEMENT (GAUM) OVER THE LAST 5 YEARS

OVERALL PERFORMANCE

CUMULATIVE JOBS MAINTAINED AT DIRECTLY FINANCED ENTERPRISES DURING PAST 5 YEARS

Jobs Maintained by Gender at Directly Financed Enterprises

Women 33%  Men 67%

Youth Jobs Maintained at Directly Financed Enterprises

Youth Women Jobs 3,313  Youth Men Jobs 6,131
CUMULATIVE INVESTMENTS IN WOMEN-OWNED & MANAGED* BUSINESSES

GENDER LENS INVESTING

1 out of 4 businesses that GroFin provides financial and business support, is owned and managed by a woman*

1 in every 3 direct jobs sustained by GroFin investees, is held by a woman

* 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

OVERALL PERFORMANCE

CUMULATIVE DISBURSEMENTS BY REGION

- Southern Africa: 16%
- East Africa: 34%
- West Africa: 28%
- MENA: 22%

CUMULATIVE DISBURSEMENTS PER SECTOR

- Manufacturing: 23%
- Wholesale & Retail Trade: 22%
- Professional, IT & Other Services: 12%
- Accommodation & Food Service Activities: 10%
- Transportation & Storage: 7%
- Healthcare: 7%
- Education: 6%
- Construction: 5%
- Electricity, gas, steam and air conditioning supply: 4%
- Retail & Wholesale Trade: 3%
- Electric & Gas Supply: 2%

CUMULATIVE NUMBER OF WOMEN-OWNED & MANAGED* BUSINESSES INVESTED IN

- Women-owned Businesses: 5,050
- Men-owned Businesses: 6,490

CUMULATIVE NUMBER OF WOMEN JOBS MAINTAINED AT DIRECTLY FINANCED ENTERPRISES

- Women-owned Businesses: 7,877
- Men-owned Businesses: 9,617

2019 NEW APPROVALS BY SECTOR

- Women-owned Businesses: 48%
- Men-owned Businesses: 52%

ACHIEVING IMPACT

Sustaining Livelihoods and Supporting Economic Growth

- Total Family Members Supported by Investees p.a.: 447,250
- Economic Value Added p.a.: US$ 630M

Figures as at 31 December 2019

www.grofin.com

GroFin Annual Report 2019
GroFin contributing towards the advancement of the United Nations Sustainable Development Goals

GroFin recognises that responsible businesses and investment, rooted in the United Nations (UN) universal principles, are crucial for achieving transformational change aligned with the UN Sustainable Development Goals (SDGs). How GroFin advances the SDGs through its investments in sectors of focus is depicted below.

<table>
<thead>
<tr>
<th>GOALS</th>
<th>BUSINESS ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total jobs sustained</td>
<td>US$ 89,450</td>
</tr>
<tr>
<td>Livelihoods supported</td>
<td>447,250</td>
</tr>
<tr>
<td>Economic Value Added by Investees p.a</td>
<td>US$ 630M</td>
</tr>
<tr>
<td>Total number of external investors</td>
<td>34</td>
</tr>
<tr>
<td>Capital and grants raised towards funds</td>
<td>US$ 534M</td>
</tr>
<tr>
<td>No. of technical assistance partners</td>
<td>10</td>
</tr>
<tr>
<td>Women jobs at directly financed enterprises</td>
<td>9,617</td>
</tr>
</tbody>
</table>

Provision of tailored finance and business support to all GroFin investees.

Disbursement: US$ 353M
No. of Client Organisations: SMEs: 733

Total jobs sustained | 89,450
Livelihoods supported | 447,250
Economic Value Added by Investees p.a | US$ 630M
Total number of external investors | 34
Capital and grants raised towards funds | US$ 534M
No. of technical assistance partners | 10
Women jobs at directly financed enterprises | 9,617

Agriculture, agri-processing, food manufacturing, and wholesale & retail of food products.

Disbursement: US$ 56.5M
No. of client organisations: SMEs: 148

Pre-primary, primary, secondary & tertiary education institutions, and the printing of educational textbooks & other support materials.

Disbursement: US$ 25.5M
No. of client organisations: SMEs: 54

Borehole drilling & technical services related to water supply, water treatment facilities, production & retail of bottled drinking water, and retail of hygiene products.

Disbursement: US$ 13.5M
No. of client organisations: SMEs: 31

Manufacturing & retail of energy efficient products and the provision of clean energy solutions (solar & LPG).

Disbursement: US$ 10.6M
No. of client organisations: SMEs: 20

Construction, civil engineering services, manufacturing & retail of construction materials, transport & logistics, and telecommunications goods & services.

Disbursement: US$ 49.3M
No. of client organisations: SMEs: 86


Disbursement: US$ 8.9M
No. of client organisations: SMEs: 12

Multispeciality clinics, daycare centres, medical diagnostic facilities, and manufacturing & retail of pharmaceutical & wellness products.

Disbursement: US$ 23.7M
No. of client organisations: SMEs: 53

Disbursement: US$ 56.5M
No. of client organisations: SMEs: 148

Disbursement: US$ 13.5M
No. of client organisations: SMEs: 31

Disbursement: US$ 10.6M
No. of client organisations: SMEs: 20

Disbursement: US$ 49.3M
No. of client organisations: SMEs: 86

Disbursement: US$ 8.9M
No. of client organisations: SMEs: 12
In 2019, we introduced the GroWoman initiative aimed at helping women entrepreneurs in our network to grow their businesses at an even greater scale and faster pace, while ensuring more women entrepreneurs can access the finance and technical assistance they need to succeed.

As part of this initiative and through the support of FMO, Norfund and the Dutch Good Growth Fund (DGGF) we hosted a series of capacity building events for women entrepreneurs to empower them with access to business skills, knowledge and business networking opportunities. During 2019 GroFin hosted over 270 women entrepreneurs at six events in five countries: Kenya, Uganda, Nigeria, Ivory Coast and South Africa. An online survey among attendees showed that 95% felt that they will be able to apply what they learned in their businesses.

We are also proud to share that FMO’s investment in the GroFin SGB Fund has qualified for recognition in the 2X Challenge. Founded by the G7 Development Finance Institutions (DFIs), the 2X Challenge is a commitment to mobilise investments advancing women’s economic empowerment. FMO’s investment in the SGB Fund qualifies as a ‘2X Investment’ as women-owned or managed businesses currently form 42% of SGB’s investment portfolio.

In the last quarter of 2019, GroFin took a further important step in developing our gender lens investment strategy and capacity through a consultancy with the Mennonite Economic Development Associates (MEDA), an international economic development organisation which specialises in this field. This work is funded by FMO and DGGF and will continue in the first half of 2020. The findings and recommendations made by MEDA will inform GroFin’s gender lens strategy as we increase our focus on drawing more women-owned businesses into our portfolio in the coming year.

GroFin will also increase its focus on connecting the women entrepreneurs we fund with additional technical assistance and mentorship through our network of partner organisations which include the Cherie Blair Foundation, the Vital Voice Programme and the International Trade Organisation’s SheTrades Initiative.

### Binti Africa

**SGB Fund Investee, Tanzania**

Woman entrepreneur Johari Sadiq founded Binti Africa in 2009 at the age of only 23. She was passionate about fashion but had no business background or experience in the industry.

Johari persevered and today Binti Africa is a well-known fashion house styling the officials of the Tanzanian Government and even counts the country’s current vice-president and a former president among its clients.

In 2017, GroFin provided Binti Africa with US$ 176,368 in funding to acquire modern equipment and high-quality fabrics to create the designs it has become known for. The business specialises in the design and production of clothing from African textiles. Binti Africa employs 35 people, including 29 women.

The support Binti Africa has received from GroFin included ensuring that its factory complies with health and safety regulations, assisting Johari in improving the financial management of her business and in developing a succession plan.
The GroFin Small and Growing Businesses (SGB) Fund was set up in 2014 to serve as a commercially orientated vehicle to provide development assistance, as well as start-up and early stage growth-capital needed to develop sustainable small and growing businesses. The Fund exclusively invests in Africa, in some of the most challenging business environments globally. The businesses it funds generally operate in areas with a high rate of poverty, and often employ people living in poverty or provide vital products and services to them.

**GEOGRAPHICAL EXPOSURE:**
Nigeria, Ghana, Zambia, Egypt, South Africa, Kenya, Tanzania, Rwanda, Uganda, Senegal, and Ivory Coast

**Performance of the GroFin SGB Fund**

The SGB Fund continues to deliver long-term impact in its 11 countries of operation.

Over the last five years, the Fund has grown at an average annual rate of 50%, ending with an investment portfolio of slightly over US$ 107 million at the end of 2019.

The last two years have proven to be one of slow expansion compared to the rapid disbursements and Fund growth that happened from 2015 to 2017. During 2018 the outcome of fundraising efforts slowed down which in turn manifested in a sharp slowdown in disbursements, something the Fund only recovered from in the second half of 2019. Towards the end of 2018 and especially in 2019, the financial strain experienced by some of the Fund’s earlier clients became visible in both increasing impairment numbers and reducing returns.

The impact and development success of the Fund is undeniable, easily exceeding investor expectations. Since inception, the Fund has financed and supported 217 SGBs, provided business support to 1,998 SGBs and sustained 15,917 direct jobs. The ripple effect through the communities these SGBs operate in is much larger, with close to 240,000 livelihoods sustained.

Realisations have improved dramatically over the year, moving up from 20.5% of Fund-to-date disbursements at the end of 2018 to 48% at the end of 2019. Maintaining a focus on realisations remains a key Fund objective going forward.
Towards the end of 2019 we reviewed the entire strategy of the SGB Fund at country level to arrive at optimal risk and return outcomes for investors. These country-level strategies favour the future allocation of capital to countries with higher interest rate environments relative to others, less volatile currency movements than others, and sectors and deal terms that historically proved to provide better returns.

The 2020 SGB Fund strategy was adopted by all investors at the end of November. The COVID-19 outbreak has brought a delay to the implementation of this strategy since our 2020 focus has pivoted to job protection, by assisting our existing performing clients to get through the economic downturn. This might be in the form of moratoriums or additional financing, which for 2020 will limit the optimal allocation of capital as intended by the new strategy.

We have been making continuous improvements to our credit granting framework and our business support offering to reduce credit risk to the Fund. Among others, we have appointed a Business Support Executive who brings deep turnaround, credit, and support experience to the Fund.

The financing of women-owned businesses is becoming an important sub-segment in the Fund, even though the percentage of women-owned and managed businesses have only increased marginally since inception to 42% currently. Towards the end of 2019 we appointed a specialist gender-consultant firm, MEDA, to assist us in developing specific strategies, toolkits, and business support processes to better serve the needs of women in business.

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**Investment & Impact Metrics**

<table>
<thead>
<tr>
<th>NO. OF CLIENT ORGANISATIONS: SMES</th>
<th>CUMULATIVE JOBS MAINTAINED AT DIRECTLY FINANCED ENTERPRISES</th>
<th>% WOMEN-OWNED AND MANAGED BUSINESSES*</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>106</td>
<td>187</td>
</tr>
<tr>
<td>4,998</td>
<td>8,402</td>
<td>12,210</td>
</tr>
<tr>
<td>39%</td>
<td>41%</td>
<td>42%</td>
</tr>
</tbody>
</table>

+ 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

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**SECTOR DISTRIBUTION - OUTSTANDING PORTFOLIO AS AT END 2019**

- Manufacturing: 26%
- Wholesale & Retail: 20%
- Education: 11%
- Professional, IT & Other Services: 10%
- Healthcare: 9%
- Agribusiness: 7%
- Food & Accommodation: 6%
- Construction: 6%
- Key Services: 3%
- Transport: 2%
Bestever Paper Industries
SGB Fund and GroFin Africa Fund Investee, Uganda

GroFin’s willingness to provide start-up capital to Bestever Paper Industries gave birth to a business which today employs 320 people from communities at the base of the income pyramid. Bestever manufactures eco-friendly polypropylene (PP) bags and ropes used to store and transport agricultural produce. The SGB Fund has invested US$ 1,914m in Bestever, first for the company to commence production in 2014 and then to help it expand further by adding a third production line in 2017.

Ssembatya Musa (24), has been working at Bestever as a machine operator for three years. Ssembatya was forced to drop out of school when he could not afford the fees and used to do casual jobs to support his girlfriend and six siblings. Today, he has found a sense of fulfillment being employed.

“It is very difficult to find a job in Uganda, especially for the youth who are just beginning their employment journey. Being employed has given me a sense of purpose in life and this has prevented me from getting involved in bad habits like drug and alcohol abuse which most of my peers are into.”

Watervale Investments
SGB Fund Investee, Kenya

The SGB Fund’s investment in Watervale Investments enabled the company to launch a new product and successfully enter the Kenyan retail market. Watervale manufactures mattresses and supplies raw materials needed to produce budget furniture, such as sofa sets.

In 2017, GroFin invested US$ 325k in the company so it could expand and improve its production facilities. By 2018, Watervale’s annual revenue had more than tripled compared to 2016, before GroFin’s investment. Mattresses, which were still in the prototype phase at the time of GroFin’s investment, have since become one of the company’s best-selling products. It now sells its Moko brand products to over 1000 homes each month and markets directly to consumers. The company has also introduced a range of sofa sets as a new major product line.

As a result, Watervale’s annual revenue increased by 79% between 2017 and 2018, while its gross profit margin has also improved by two percentage points. The business has added four production lines and improved its production facilities. By 2018, Watervale’s annual revenue had more than tripled compared to 2016, before GroFin’s investment.

The Fund also contributes towards tackling the country’s high unemployment rates, namely among women and the youth, with investees counting 40% women and an estimated 25% youth in their workforce.

The Fund’s unique approach and concentrated efforts have attracted high quality development finance institutions such as KfW, The Lundin Foundation, the Dutch Good Growth Fund (DGGF), the Soros Economic Development Foundation (SEDF), GroFin Capital and the Department for International Development (DFID) as investors. The resources committed by these institutions to the Fund allowed further outreach to marginalised communities and refugees in Jordan.

Going forward, the Fund intends to strengthen the business support that it provides to entrepreneurs to ensure sustainability and growth amidst a challenging environment whilst maintaining employment levels, which is crucial for the communities in which they operate. Furthermore, the Fund will expand its reach into the smaller end of the SME spectrum to reduce concentration risk, increase the granularity of its investments and further deepen its impact.

NOMOU JORDAN FUND

The Nomou Jordan Fund (NUF) was launched in 2014 to support the development of the country’s SME sector. It prioritises investments in women-owned and employment-intensive businesses to create maximum impact. The Fund’s mandate also includes a strong focus on investing in businesses owned by – or employing – refugees or migrants.

Performance of the Nomou Jordan Fund

After a difficult year in 2018, the Fund resumed investment activity during 2019 and managed to disburse US$ 1.6m bringing the total investment to date at US$ 22.5m in 49 clients through 52 transactions. The Fund’s gross assets under management stood at US$ 16.6m at the end of 2019.

The Nomou Jordan Fund has succeeded in generating positive community impact and by the end of 2019 it had supported a total of 1,501 direct jobs – which translates into 2,360 total jobs supported across the supply chain with 11,500 livelihoods sustained. During 2019, the Fund provided business support to 536 entrepreneurs and added 171 new jobs to its employment base.

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The economic situation in Jordan remained challenging at the end of 2019. In March 2020, the International Monetary Fund (IMF) approved a four-year Extended Fund Facility (EFF) arrangement for Jordan to support an ambitious macroeconomic and structural reform agenda. This would be mainly centred on increasing growth, stimulating job creation, strengthening external and fiscal stability, increasing transparency and improving social spending.

Under this new programme, the monetary policy will continue to be anchored by the exchange rate peg, which serves the economy well.

However, Jordan’s geographic location makes it highly vulnerable to political instability in the region. A large trade deficit and weak government finances also threaten Jordan’s economic prosperity.

Going forward, the Fund intends to strengthen the business support that it provides to entrepreneurs to ensure sustainability and growth amidst a challenging environment whilst maintaining employment levels, which is crucial for the communities in which they operate. Furthermore, the Fund will expand its reach into the smaller end of the SME spectrum to reduce concentration risk, increase the granularity of its investments and further deepen its impact.
SECTOR DISTRIBUTION - OUTSTANDING PORTFOLIO AS AT END 2019

- Manufacturing: 54%
- Healthcare: 24%
- Wholesale & Retail: 13%
- Professional, IT & Other Services: 12%
- Transport: 3%
- Accommodation & Food Services: 1%
- Education: 1%

JOBS MAINTAINED BY REFUGEES AND NON-JORDANIAN CITIZENS AT DIRECTLY FINANCED ENTERPRISES

- 2015: 19
- 2016: 31
- 2017: 35
- 2018: 35
- 2019: 40

INVESTEE SPOTLIGHT

**Zahret Al Walid Medical Supplies**
NJF Investee, Jordan

Zahret Al Walid Medical Supplies distributes medical supplies and consumables to hospitals, clinics, pharmacies and other businesses in Amman, Jordan. In 2017, the Nomou Jordan Fund invested US$ 214,835 in Zahret to allow the business to purchase additional stock and open a third branch in Jordan.

The financing eased the cashflow constraints Zahret was experiencing as a result of purchasing stock in cash, while conducting much of its sales on credit. Zahret improved its cashflow and was able to continue operating without any stock disruptions. Following GroFin’s investment, the business saw its annual revenue climb by 29% one year following financial and business support delivered to the client.

This financing is expected to continue to grow its operations, driven by the higher demand for medical supplies from the healthcare sector in Jordan which is becoming a medical hub in the region. The business currently sustains 14 jobs, 9 of which are held by women. It is also headed by a woman entrepreneur who owns 60% of the business.

INVESTEE SPOTLIGHT

**Abo Arab Haider**
NJF Investee, Jordan

Abo Arab Haider had been producing Arabic sweets and other confectionary in Syria since 1956, but the crisis there forced the business to relocate to Jordan in 2013. The Nomou Jordan Fund provided Abo Arab with US$ 282,287 in financing to purchase additional stock and open a third branch in Jordan.

The business now employs 90 people. This number includes 48 refugees, migrants and non-Jordanian citizens as well as 28 women.

Suad Al Junaidi (24) started working as a Sales Associate at Abo Arab earlier in 2019. Suad supports her parents as well as her 3-year old daughter and says she struggled to find a job as she does not have a university education.

“**My job allows me to support my family financially, take care of myself and to pay for my daughter’s pre-school education. I hope to one day continue my own education and obtain a degree in pharmacy.”**
IRAQ FUNDS

Nomou Iraq Fund
The Nomou Iraq Fund (NIF) was launched in 2013 with the objective to build a strong SME sector to help rebuild the economic fabric of Iraq and create sustainable jobs for Iraqis. The Fund aims to support local content development to help rebuild an industrial economy damaged by war and embargoes and to create employment in a region where the fast-growing and predominantly young workforce have limited opportunities.

GroFin initially started its operations in Iraq in Basra, in the south of the country, where the Nomou Iraq Fund has built up a portfolio of SME clients.

Northern Iraq Investments
During 2019, GroFin expanded its footprint in Iraq by establishing Northern Iraq Investments (NII) as a separate vehicle for investments in the Nineveh plains and other areas previously controlled by ISIS. As a result, the region has seen thousands of people displaced, major damage to infrastructure and a significant adverse impact on its economy. Based in Erbil, the new investment office is staffed by a new team and has already begun reaching out to the small business community in locations such as Mosul, Sinjar, Dohuk, and Hamdaniya. NII made its first investment in the north in the last quarter of 2019.

Iraq continues to be a very challenging location to operate in and the environment there is highly volatile from a political and social standpoint. During the second half of 2019, significant social unrest took place in southern Iraq, specifically in and around Basra and Baghdad. This disrupted several outreach activities. In addition, regional and local geopolitical tensions also affected Iraq in the first quarter of 2020, impacting pipeline development and deal implementations, especially in the south.

Performance of the Iraq Funds
At end of 2019, total SME investments in Iraq (north and south) reached a total of US$ 7.5m in 12 SMEs, sustaining a total of 648 jobs, and supporting 4,370 livelihoods. GroFin staff in Iraq have provided business support to a total of 100 entrepreneurs, assisting them in setting up and formalising their businesses, as well as putting in place structures to implement their business plans in a sustainable manner. Gross assets under management stood at US$ 5.8m at the end of 2019.

Since inception, GroFin’s investments in Iraq have been supported by GroFin Capital and USAID with total initial commitments amounting to US$ 12.7m.

During 2019, further commitments of US$ 16.7m were received that are earmarked to support operations and investment in both northern and southern Iraq.

The operational setup GroFin has put in place and the success achieved so far in driving investment in the SME sector in a challenging market continues to attract the attention and interest of development funders. The Nomou Iraq Fund is working closely with a major European development finance institution to catalyse further investment into the country. This will expand the Fund’s presence and significantly scale up its activities in the coming years.
**BENEFICIARY SPOTLIGHT**

**Taiba Al Mahaba Tahini**  
*NIF Investee, Iraq*

Taiba Al Mahaba Tahini, a family business which had been manufacturing sesame paste for 47 years, was destroyed when ISIS invaded northern Iraq. But less than a year later, the entrepreneur in charge of Taiba rallied the support of family and friends to start rebuilding it in a new city.

Taiba struggled to access funds from traditional financiers but has been approved to receive US$ 250,000 funding from NII to help the business expand. The funds it has received to date has allowed Taiba to increase its staff number from 29 to 46.

Hiba Mohammed Ameen (28) struggled to find a job after her family was displaced from Nineveh. Her job at Taiba allows her to pay the rent for the house she lives in with her husband, her parents and five-year old daughter.

*“This job means a lot to me, perhaps my whole life, because of the way that I’m supporting my family. To have this job just feels so great and I’m very grateful. I want to see this factory growing bigger and bigger to create more jobs and to hire more people and especially for internally displaced people.”*

**INVESTEE SPOTLIGHT**

**Iraqi Cinema**  
*NIF Investee, Iraq*

Sama Aliraq (Iraqi Cinema) is the only cinema operator in Iraq, operating five theatre complexes with a total of 23 screens in Baghdad and Duhok. The US$ 200k in funding it received from the Nomou Iraq Fund in 2018 helped Sama Aliraq to maintain its cash flow as it opened two new theatre complexes with 14 screens. This included bringing the first IMAX cinema screen to Iraq at the Baghdad Mall movie theatre. The business succeeded in increasing its sales and its revenue climbed by 65% between 2017 and 2019, even as it closed a small theatre complex that was underperforming.

At the end of 2019, GroFin approved a second loan of US$ 1m to Sama Aliraq to open a theatre complex in a newly developed mall in the Al Ru'aia area of Baghdad. The new complex will consist of six screens and 540 new seats. The GroFin loan will be used for working capital and the purchase and installation of cinema seats and décor. Sama Aliraq currently employs 85 people, including 16 women. The expansion is set to increase its staff number to 121.

**NOMOU OMAN FUND**

Through a gift to the nation, Shell first established the Intilaaqah Enterprise Fund in Oman in 2007 and it was then rebranded to Nomou Oman in 2013. The Fund was established to benefit local entrepreneurship and Omanisation, which refers to the employment of Omans by local businesses. It targets high impact sectors and aims to increase the number of local SMEs participating in the supply chain of large companies operating in the country. Nomou Oman aims to contribute to job creation, especially among the youth, through stimulating the development and growth of Oman’s SME sector.

**Performance of the Nomou Oman Fund**

The Nomou Oman Fund’s impact achievements prove that there are opportunities to address poverty anywhere in the world. By the end of 2019, the Fund had supported 2,051 jobs and 349 entrepreneurs. Since inception, it has invested US$ 29m in 42 companies through 49 transactions and provided support to 349 SMEs. The Fund has already realised 61% of its investments to date. Nomou Oman’s success is testament to the long-term sustainability of GroFin’s model as it has been able to recycle the US$ 17m in financing it received 1.7 times thus far. The Fund, through its investments, supports 15,380 livelihoods in the local economy.

Oman’s late ruler, Sultan Qaboos bin Said, was succeeded by Sultan Haitham bin Tariq in a smooth transition at the beginning of January 2020. The new ruler is expected to follow similar policies to his predecessor by maintaining good regional relations and pursuing non-oil development, which is crucial economic growth in a challenging global context. The Fund is well positioned to assist in this respect through diversifying its support to the various high impact sectors of the economy. Omanisation, which remains a key impact priority for the Fund, stood at 36% at the end of 2019.

The Nomou Oman Fund will continue to maximise reinvestment of proceeds into new small businesses through realisations from its current portfolio. It will continue to seek impactful and viable businesses to invest in and to showcase the efficacy of GroFin’s model in various operating environments.

**INVESTORS AND FUNDERS**

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**SECTOR DISTRIBUTION - OUTSTANDING PORTFOLIO AS AT END 2019**

- Wholesale & Retail: 24.8%
- Healthcare: 2.2%
- Construction: 48.0%
- Food & Accommodation: 5.7%
- Education: 4.0%
- Manufacturing: 0.4%
- Professional, IT & Other Services: 14.6%

**INVESTEE SPOTLIGHT**

**Al Duqm Crushers LLC**

NOF Investee, Oman

Al Duqm Crushers LLC extracts and manufactures quarry materials, predominantly for export to the steel-manufacturing industry, as well as for ready-mix concrete and asphalt in the Omani market.

The Nomou Oman Fund’s investment of US$ 936,359 allowed Al Duqm’s founders to complete the setup of the business. The funding it received also fulfilled Al Duqm’s working capital needs, while allowing the business to increase its production and productivity. The company installed its first production line in 2016 and a second one in 2019, allowing it to deliver more than 2 million tons of 46 different types of materials in that year.

The finance and support it received from GroFin helped Al Duqm to nearly double its annual revenue between 2016 and 2019. The company’s monthly sales were 93 times bigger in 2019, compared to monthly sales in 2015 and its net profit margin also improved by 25% over this period. Nomou Oman’s investment also enabled Al Duqm to create 24 additional jobs. The company currently employs 54 people.

"I am able to support my family and pay important requirements like school fees and for other household needs. I am proud to have a job, especially as a kindergarten teacher, as it gives me the opportunity to participate in shaping the future."

**INVESTEE SPOTLIGHT**

**Abdullah Bin Al-Abbaas Private School**

NOF Investee, Oman

The Nomou Oman Fund has invested US$ 589,570 in Abdullah Bin Al-Abbaas Private School, a day-school which teaches children from kindergarten to grade eight. The school has 335 students. The school’s 32 teachers are all women, as are 5 of the 8 administrative staff it employs. In addition, 40% of the staff are Omani.

Rahma Hamed Mohamed Al Hasani has worked as a kindergarten teacher at the school since 2007. Rahma’s salary supports her seven children – ranging in age from three to seventeen years – as well as her parents. She says finding a job in Oman can be very difficult, especially for women with few skills and qualifications.

"I am able to support my family and pay important requirements like school fees and for other household needs. I am proud to have a job, especially as a kindergarten teacher, as it gives me the opportunity to participate in shaping the future."

**BENEFICIARY SPOTLIGHT**

**Abdullah Bin Al-Abbaas Private School**

NOF Investee, Oman

The Nomou Oman Fund has invested US$ 589,570 in Abdullah Bin Al-Abbaas Private School, a day-school which teaches children from kindergarten to grade eight. The school has 335 students. The school’s 32 teachers are all women, as are 5 of the 8 administrative staff it employs. In addition, 40% of the staff are Omani.
The Aspire Small Business Fund (ASBF) supports viable, growth-oriented, micro & small enterprises to help stimulate long-term economic and social development in the Niger Delta region. It was established in 2013 through the joint effort of GroFin and Shell Petroleum Development Company of Nigeria (SPDC).

The ASBF gives special consideration to labour intensive sectors which create high levels of employment. The Fund also focuses on current or former participants of small business support programmes, such as the Shell LiveWire scheme.

Performance of the Aspire Small Business Fund

The ASBF has invested approximately US$ 3m in 54 micro and small businesses through 63 transactions. It has been in harvest since July 2018 and will remain so until June 2023.

At the end of 2019, the Fund had sustained 688 jobs and counted 51 active portfolio companies and 3 exits. Its investments are spread across five sectors, but the portfolio is concentrated in manufacturing (including food processing) at 55% and wholesale & retail trade at 20%. These sectors traditionally offer high potential for job creation, especially for vulnerable groups like unskilled workers, the youth, and women.

Economically, it was a difficult year for Nigeria with heightened concerns around security – a perennial problem in the region. Our investees were not insulated from these broader environmental challenges and given that these businesses are relatively small and mostly unstructured, a lot of time and resources are required to ensure they remain viable. The business support GroFin provided to its ASBF clients helped to ensure that a significant number recorded remarkable achievements despite their harsh operating environment.

One such client, Aniella Ventures, successfully exited the Fund with no single incidence of delayed payment or default throughout the entire duration of the loan. Another, GIA Bridals, participated in a continental fashion show where her bridal collection was showcased on television. Both businesses are run by women entrepreneurs, validating the Fund’s focus on gender lens investment which took off in earnest during 2019.
GIA Bridals
ASBF Investee, Port Harcourt, Nigeria

GIA Bridals makes bespoke wedding gowns which it sells or rents to brides. In 2014, GroFin invested US$ 35k in GIA, providing the business with working capital. GroFin invested a further US$ 34k in GIA Bridals in 2017 to enable the business to lease and equip a larger space.

The funding it received from the ASBF allowed the business to attract more customers through greater visibility and to offer a wider variety of stock. Following GroFin’s investment in 2017, the business posted annual revenue growth of 12%. GIA has posted consistent increases in its sales and its annual revenue climbed by 56% last year. GroFin also assisted the entrepreneur in improving the financial management of the business through helping her to implement a simple management account template.

GroFin’s funding and support have enabled GIA to grow its staff from only three at the time of the first investment, to 13. 12 of these jobs are held by women.

Supernova
ASBF Investee, Port Harcourt, Nigeria

The Aspire Small Business Fund (ASBF) provided funding to Supernova Makeup Studio & Events Management for the acquisition of equipment, a rental lease, and to purchase inventory.

Samuel Chukwuemeka joined Supernova as an apprentice photographer after he was forced to end his studies when his parents could no longer afford the fees. Today, thanks to the training and support he received at Supernova, Samuel has graduated from a Polytechnic college, owns his photography studio and employs two people.

“To me, Supernova is a life changing organisation. It has not only changed my life story – but the stories of my co-workers as well. I was able to finish school and start my own business.”

The Aspire Growth Fund (AGF) was founded in 2013 as the sister fund to the ASBF. It shares the same objectives as the ASBF, while focusing on larger (medium-sized) enterprises – with higher job creation potential – by providing its clients the local equivalent of between US$ 100k and US$ 3m in risk finance. It also targets businesses which can be integrated into the supply chains of multinational oil and gas companies. The Fund commenced disbursement in 2017, after overcoming initial challenges associated with market access.

Performance of the Aspire Growth Fund

Two ASBF investees, FineHome Concepts and God’s Real Favour Bakeries, grew their businesses from almost micro-sized enterprises to become large enough to qualify as AGF investees in 2019.

At the end of the year, the AGF had a portfolio size of US$ 8.8m, invested in eight businesses. Four of these businesses are owned by women. The Fund has supported 147 entrepreneurs and created economic value of US$ 0.8m through its investees. It has sustained 1,125 direct jobs and 14,188 livelihoods. In line with the Fund’s focus on vulnerable groups, 53% of the direct jobs sustained are held by unskilled workers, 47% are held by women and 47% by young people.

Investees are spread across vital sectors, which constitute 94% of its portfolio. These have high potential to create both social and economic impact. The education sector comprises 25% of the portfolio and these businesses serve 1,180 learners per annum, while healthcare comprises 18% and serves 24,490 patients per annum.

The difficult economic environment in Nigeria also affected AGF’s investees. GroFin deepened its business support interventions to these clients, intensifying the frequency of client monitoring and support. ESG, business formalisation and entrepreneur development constituted most of the support provided.
SECTOR DISTRIBUTION - OUTSTANDING PORTFOLIO AS AT END 2019

- Wholesale & Retail Trade: 21.8%
- Healthcare: 15.6%
- Manufacturing: 6.7%
- Education: 29.5%
- Food & Accommodation: 26.4%

CUMULATIVE GAUM (US$ M)

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NO. OF CLIENT ORGANISATIONS: SMES

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CUMULATIVE JOBS MAINTAINED AT DIRECTLY FINANCED ENTERPRISES

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CUMULATIVE REALISATIONS (US$ K)

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INVESTEE SPOTLIGHT

Pinnacle Oil and Gas
AGF Investee, Lagos, Nigeria

Pinnacle Oil and Gas specialises in the importation, storage, wholesale, distribution and retail sale of refined petroleum products. The Aspire Growth Fund (AGF) provided Pinnacle with US$ 1,818,499 in financing to expand its transport fleet and its network of fuel services stations. The Nigerian government pays petroleum marketing companies for the haulage of these products. By expanding its fleet, Pinnacle was able to take advantage of this revenue opportunity, manage its fuel station network more effectively, and increase its share of the petroleum products retail market. The funding and support it received through AGF helped Pinnacle to increase its capacity to distribute petroleum products to different parts of the country by approximately 12 millions litres per month.

As a result, the company’s annual revenue increased by about 30% between 2018 and 2019. Its average monthly sales have also increased by about 30%, while its gross profit has grown by about 20%. Pinnacle has also been able grow its number of employees to 414, compared to 308 before AGF’s investment.

“Being able to impact and mould young children is quite fulfilling. All the children I have taught have become part of my life. The future is brighter because I also hope to be an employer some day and to help others provide for their families and fulfil their dreams.”

BENEFICIARY SPOTLIGHT

MAMAD Schools
AGF Investee, Lagos, Nigeria

The Aspire Growth Fund provided US$ 319,513 in financing to MAMAD Schools, which operates a nursery and primary school, to add additional classrooms to the school building. MAMAD has nearly 330 students and is owned and managed by a woman entrepreneur. It employs 83 people, including 66 women.

Esther Chibuzor has been teaching at the school for ten years. She helps to support her elderly mother, two sisters and two children. Esther also runs her own small business, an initiative to ignite the passion for writing in children. She views teaching as more than a job, but rather a calling.
WHY WE EXIST
Small and medium-sized enterprises (SMEs) make a substantial contribution to economic growth and job creation in developing economies, but the sector is plagued by notoriously high failure rates.

As a pioneering private development finance institution, our work helps to generate employment, strengthen value chains, and develop markets to bring about inclusive growth and improved living conditions in the low- and middle-income countries where we operate.

Since its inception in 2004, GroFin has invested in 733 SMEs and sustained nearly 90,000 jobs. Headquartered in Mauritius, we offer financing and support to SGBs in 14 countries in Africa and the Middle East. We focus on small businesses operating in education, healthcare, agri-business, manufacturing and key services (water, energy and sanitation).

GroFin is supported by 34 international development finance institutions, development organisations, foundations, large companies and private funders who have committed more than US$ 500m in capital to funds under GroFin’s management.

WHY WE EXIST
Small and medium-sized enterprises (SMEs) make a substantial contribution to economic growth and job creation in developing economies, but the sector is plagued by notoriously high failure rates.

This high failure often means that SMEs cannot access the financing they need to grow. They are considered too big for micro-finance, too small for private equity funds, and too risky for traditional security-based lenders and become trapped in the so-called “missing middle”. GroFin provides SMEs with medium-term risk finance to help them escape this trap.

However, our business model is based on the believe that SMEs need more than money to overcome the high risk of failure they face. We offer entrepreneurs support beyond finance by providing them with continuous pre- and post-investment guidance and development assistance to help them grow into sustainable and formalised businesses that create lasting impact.

OUR VISION
We aim to be the leading financial services institution to entrepreneurs of successful small to medium-sized enterprises – a reputable organisation that everyone wants to be associated with, do business with and refer clients to, due to our best-in-sector performance.

OUR MISSION
Serving the underserved entrepreneurs in the small and growing business sector with risk capital and business support, helping them to realise their full business potential and deliver quantifiable social and economic development impact.

OUR PURPOSE
GroFin’s purpose is to develop a scalable, replicable and sustainable business model for the SME missing middle. Through developing successful SMEs at scale, GroFin aims to create jobs and measurable impact in line with Sustainable Development Goal 8: Decent work and economic growth.
RISK MANAGEMENT

Risk philosophy
Risk management is fundamental to GroFin’s business and crucial to sustaining its long-term growth and reputation. GroFin is exposed to a variety of risks including credit, operational, strategic, and reputational risk. Managing these risks form part of GroFin’s core capabilities.

GroFin is committed to applying international best practice and standards to risk management. Our risk philosophy is underpinned by the objective of shareholder and investor value creation through sustainable, profitable growth, in a manner that is consistent with shareholder and investor expectations of our risk-bearing capacity and risk appetite.

GroFin’s risk management approach is that all risks must be identified and managed and returns must be commensurate with the risks taken, relative to our risk appetite. It is everyone’s responsibility, within GroFin, to identify themselves with the company’s declared priority of risk management and to recognise real or anticipated risks and take appropriate action to address them.

GroFin sustains a world-class risk management culture based on the following elements:

- The GroFin value system.
- An integrated, holistic risk management approach to decision-making.
- Proactive risk management with equal attention to quantifiable and unquantifiable risks.
- A risk awareness culture, inculcated through risk-adjusted performance measures.
- Disciplined and effective risk management processes and controls and adherence to standards and limits.
- Compliance with relevant statutory, regulatory and supervisory requirements.

RISK MANAGEMENT PRINCIPLES

Risk management in GroFin is guided through these principles:

- Assignment of appropriate responsibility and accountability
- Framework for integrated risk management
- Protection of our reputation
- Risk assessment and measurement
- Independent review

CORPORATE GOVERNANCE

Governance refers to the way the leadership and management of GroFin are organised to maximise value for all stakeholders. Risk governance refers to the approach that seeks to balance the demand for entrepreneurship, control, and transparency while supporting GroFin’s objectives through efficient decision-making.

The most influential role players in GroFin’s risk management framework are:

- Board of Directors
- CEO & Exco
- Risk Management Function
- Group Specialist Functions
  - Regulatory Compliance
  - Internal Audit
  - Group Finance
  - Group Information Systems Technology
  - Human Resources
  - Group Legal
  - Group Treasury

Board of Directors
- The Board of Directors is appointed by and accountable to GroFin’s shareholders to lead, control and monitor the business and provide effective corporate governance.
- The CEO is appointed by the board and assisted by the Executive Committee (Exco) to manage GroFin’s business within an acceptable risk profile and achieve sustainable profits. The CEO and Exco’s main responsibilities include overseeing risk processes at executive level, ensuring risk management and policies are approved and implemented, ensuring risk is considered in long-term plans and regularly reporting on risk to the board.
- The Risk Management Function ensures an integrated and effective risk management framework is established. It consists of GroFin’s Internal Audit and Regulatory Compliance departments which are responsible for risk integration across the business.
- GroFin’s operating model is designed to obtain maximum operational efficiency from several shared services and specialist functions play an important role in assisting with risk management.
As an agent of impact, GroFin remains committed in its efforts to measure and manage impact though its Impact Measurement & Management Framework. We believe that this framework is a core component of impact investing as it establishes our commitment, together with that of our investors, grant funders and partners, to the socio-economic contribution of our investees.

Defining, tracking, measuring and interrogating our impact footprint allows us to use insights gleaned and enables us to prompt data-driven decision making.

Impact data is captured and monitored on a regular basis (a mandatory quarterly data collection and quality assurance exercise) and is used to measure the impact performance of our funds against set targets. Consequently, we are able to further fine tune our investment strategy and get a better appreciation of the impact outcomes set by our investees, develop focused deal sourcing strategies and improve interactions with our stakeholders. GroFin has incrementally raised the level of robustness of its impact measurement and management practices over the years. For the development of our Impact Measurement and Management Framework, GroFin has adhered to following international standards and frameworks:

- International Finance Cooperation’s (IFC) Operating Principles for Impact Management (2019)
- Global Impact Investing Network’s (GIIN) IRIS+ metrics (2019)
- The United Nation’s Sustainable Goals (UN SDGs)

GroFin’s broader socio-economic impact (total jobs sustained, economic value added, and livelihoods impacted) is based on internal analysis. It is calculated using an impact estimation model developed for GroFin in 2016 by independent consultancy StewardRedqueen (www.stewardredqueen.com). The model uses GroFin’s clients as its starting point and estimates impact at the indirect effects. However, GroFin does not claim full credit for this impact to SGBs. Even though GroFin is able to quantify with some degree of accuracy the effects (outcomes and impact) of our interventions (inputs) in the vast majority of cases, we understand that there are other factors like additional client funders, client activity, and market conditions which also contribute to the impact metrics we estimate and report on. Since GroFin plays such a crucial role in facilitating the sustainable growth of our clients’ businesses, we report on 100% of the impact. GroFin acknowledges that observed and estimated impact, measured through metrics like total jobs sustained and economic value added, cannot always be wholly attributed to our interventions of providing access to appropriate finance and business support to SGBs. Even though GroFin is able to quantify with some degree of accuracy the effects (outcomes and impact) of our interventions (inputs) in the vast majority of cases, we understand that there are other factors like additional client funders, client activity, and market conditions which also contribute to the impact metrics we estimate and report on. Since GroFin plays such a crucial role in facilitating the sustainable growth of our clients’ businesses, we report on 100% of the impact. GroFin does not claim full credit for this impact and we use the words “contribute/s to”, “sustained”, and “livelihoods supported”, etc. where possible to best describe the impact of our interventions.

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GroFin believes incorporating Environmental, Social and Governance (ESG) considerations into our investment decisions and risk management approach not only help our clients to build more sustainable businesses but also contribute to the sustainability of our own.

ESG refers to the three areas of concern which are central to measuring the sustainability and ethical impact of an investment. At GroFin, we are committed to a high standard of corporate responsibility. Consequently, industry best practice and assessing ESG risks and opportunities are integrated into our end-to-end investment process as follows:

- ESG risks and opportunities are formally assessed during investee screening and due diligence (pre-investment); and,
- ESG best practice for SGBs are integrated into the GroFin business support offering (post-investment).

GroFin’s ESG investment integration strategy ensures all our investees adhere to ESG practices which are integrated in their operations, mitigate environmental risks as well as occupational health & safety hazards, and ensure compliance with relevant local legislation and operational requirements.

**GroFin ESG Performance as at end of 2019**

- 100% Clients compliant with GroFin’s ESG Policy and Corporate Responsibility Undertaking
- 0% investments in prohibited/excluded activities – as per International Finance Corporation’s Exclusion List
- 100% Clients formalised on exit
Acronyms

MEDA – Mennonite Economic Development Associates
CAGR – Compounded Annual Growth Rate
SME – Small and Medium-sized Enterprises
BoP – Base of the Pyramid
p.a. – per annum
SGBs – Small and Growing Businesses
ESG – Environmental, Social and Governance
IFRS – International Financial Reporting Standard
IOM – International Organization for Migration
EY – Ernst & Young
GLI – Gender Lens Investment
MENA – Middle East and North Africa
UN – United Nations
SDGs – Sustainable Development Goals
AGF – Aspire Growth Fund
ASBF – Aspire Small Business Fund
NIF – Nomou Iraq Fund
NBI – Northern Iraq Investments
NOF – Nomou Oman Fund
NJF – Nomou Jordan Fund
SPDC – Shell Petroleum Development Company of Nigeria
GAUM – Gross Assets Under Management
AIMI – Assets Under Management
DGGF – Dutch Good Growth Fund
AMW – African Management Initiative
IMF – International Monetary Fund
IST – Information Systems Technology
EXCO – Executive Committee
IFC – International Finance Cooperation
GIIN – Global Impact Investing Network’s
PwC – PricewaterhouseCoopers
ERP – Enterprise resource planning
STEP – Success Through Effective Partnerships