

### FUND OVERVIEW

#### MESSAGE FROM THE CEO & CIO



**Brienne van der Walt**  
Chief Executive Officer



**Cobus Wells**  
Chief Investment Officer  
for Africa

Although the impact of the COVID-19 pandemic was already visible among the SGB Fund's investees towards the end of March, the second quarter of 2020 is the first full reporting period during which they had to operate while under lockdown measures. These measures differed across the 11 investment countries but in most they were severe, and our SME businesses across the entire portfolio were impacted. Some have already closed their doors, permanently so. Many clients in the tourism & hospitality industry saw their entire revenue base disappear overnight, with no return to normal in sight. In some countries, schools will not be allowed to open until 2021. Even some clients in the food value chain – a sector expected to be relatively shielded from the economic disaster that has unfolded – have run into serious difficulties, either because of border closures (and with it crop imports) or by being linked into supply chains in the restaurant and fast-food sectors which have been closed by government decree.

Yet we also saw the resilience and ingenuity of many entrepreneurs in how they responded to the pandemic. It is the same characteristics that made them survive often volatile business environments before the lockdowns started. In addition, our Investment Managers went the extra mile to assess, advice, support, restructure, and in some instances refinance investees in distress. Head office staff worked tirelessly on relief interventions. We want to thank KfW and FMO who have confirmed emergency financial or technical support to SGB investees. This support will go a long way to protect and maintain the impact that these SMEs have on their communities.

COVID-19 will shatter many entrepreneurial dreams, disrupt already marginal communities, and set back our impact objectives. As part of the global impact community we see our immediate response as one of increased support to scale the survivors as soon as possible, and then to identify new entrepreneurs who can help reverse this setback and drive us towards achieving the 2030 Sustainable Development Goals. To us at GroFin, small businesses remain at the heart of the transformation we are driving for in Africa.

#### CAPITAL OVERVIEW

As at Q2 2020

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

Number of investors and funders to date.....**11**

#### Capital Structure (NAV)



#### QUARTERLY HIGHLIGHTS

- Business Support**

We continued using our newly developed Resilience Tool Kit to guide a detailed discussion with each of our clients on how they can increase revenue and reduce expenses. Each client undertook a rigorous cashflow stress test and had to gauge the expected impact of the pandemic on different aspects of their business.

- Financial relief**

GroFin teams scanned international and local markets to identify potential financial and non-financial support to its investees. Our teams assisted clients to apply for local funding and we engaged our current investors and donors – including KfW, FMO, DGGF, Norfund, and MasterCard Foundation – to explore various relief funding options. At the time of writing, the contract for support from a KfW-managed facility has been signed. Further updates will be provided in next quarter's report.

- Technical assistance**

Dutch development bank and trusted GroFin partner, FMO, has offered a COVID-19 response grant in the form of technical assistance to support our clients with crisis management, business continuity counselling, and leadership coaching. FMO has designed a series of webinars and communities of practice for clients to share good practices. Palladium has been contracted to work with GroFin to provide remote advisory services.

- Release of Annual Report**

GroFin released its annual Impact Report for 2019 in April this year. The report included an overview of the financial performance and impact generated by the GroFin SGB Fund.

## PORTFOLIO

### OVERVIEW

As at Q2 2020

SME disbursements.....USD 121.6M

Total portfolio balance.....USD 101.2M

SMEs invested in.....218

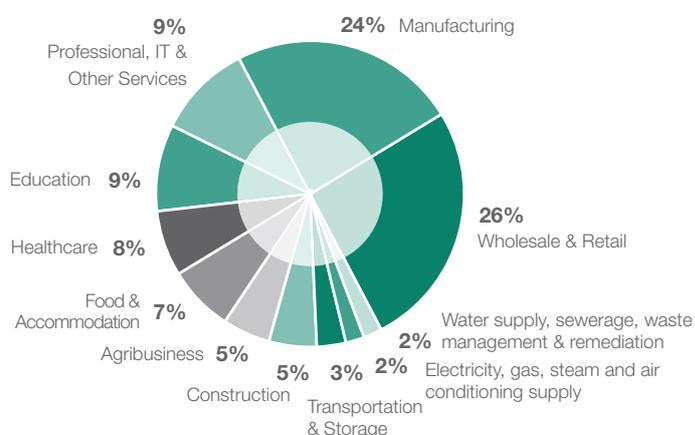
GroFin offices across Africa.....11

During Q2 2020

New transactions approved.....1

SME disbursements.....USD 331K

GroFin SGB Fund disbursement (%) by sector



### BRAND BUILDING

GroFin CEO, Brienne van der Walt, took part in *ImpactAlpha's* Agents of Impact Call series. The virtual panel discussion focused on the need for 'responsive, aggregated and accessible capital' to help small and growing businesses in emerging markets survive the COVID crisis. Brienne highlighted the immediate need for cashflow resilience among small businesses to help them survive over the short-term, before they can begin to rebuild.

Brienne also took part in a webinar hosted by the African Management Institute (AMI) as part of its #AfricaThriveLive series, discussing financing and funding for SMEs.



*"In terms of business hospitalisation, and putting many of these companies and their employees in economic intensive care units, we are six to nine weeks behind the human health tsunami."*

Brienne van der Walt, GroFin CEO



### GEOGRAPHIC BREAKDOWN OF PORTFOLIO BALANCE

Total portfolio balance by country



COUNTRY	% OF PORTFOLIO (GROSS)
SOUTH AFRICA	7.8%
ZAMBIA	6.0%
TANZANIA	6.4%
RWANDA	10.7%
KENYA	14.6%
UGANDA	12.8%
EGYPT	16.2%
LAGOS	10.9%
GHANA	6.6%
IVORY COAST	5.9%
SENEGAL	1.4%
<b>TOTAL</b>	<b>100%</b>

## GENDER LENS INVESTMENT

### OVERVIEW

As at Q2 2020

Women-owned & managed** businesses financed.....	<b>91</b>
Disbursements in women-owned & managed** businesses....	<b>USD 44.1M</b>
Women-owned* businesses financed.....	<b>36</b>
Disbursements towards women-owned* businesses.....	<b>USD 14.5M</b>
Direct women jobs sustained.....	<b>4,658</b>

During Q2 2020

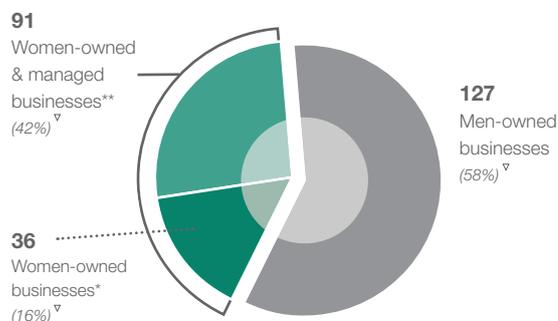
One new transaction approved for an existing woman-owned and managed business in the SGB Fund (GAEA Foods, Kenya).

\* Businesses with women holding ≥ 51% of shares.

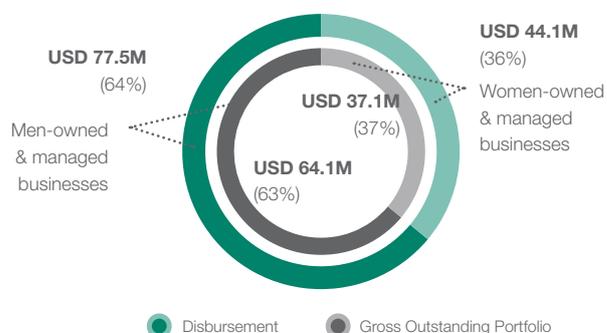
\*\* Businesses financed with women holding at least 20% of shares and part of executive leadership (Chairperson, Managing Director, CEO, COO, Director, etc.) of the company.

### Composition of Investees by Gender

▽ % of investees in SGB portfolio



### Disbursement & Gross Outstanding Portfolio



## GENDER LENS INVESTMENT

GroFin contracted the Mennonite Economic Development Agency (MEDA) to research and analyse the demand and supply of financial and non-financial services for women-owned businesses to develop an in-depth understanding of their experiences around access to finance, business support services, and issues of gender equality. MEDA presented its completed research report to us in Q2. It outlines the key characteristics, and needs of women-owned businesses and advises investors and technical assistance providers in Africa on how to adopt a gender lens within their current practices and policies. These findings are informing GroFin's own gender lens investment strategy.



## BUSINESS SUPPORT

### OVERVIEW

As at Q2 2020

Entrepreneurs who received pre-investment business support...**2,240**  
 Entrepreneurs who received post-investment business support.....**218**

During Q2 2020

Entrepreneurs receiving pre-investment business support.....**98**  
 Entrepreneurs receiving post-investment business support.....**133**

### COVID-19 SUPPORT TO CLIENTS

In Q2, GroFin’s investment managers intensified their efforts to help clients **manage the impact of COVID-19** on their businesses over the short- to medium-term.

The **COVID-19 ESG Framework** was rolled out during Q1 to all SGB Fund investees. Businesses that were subject to lockdowns were contacted to gauge the level of **safety measures and processes** that were in place and guidance was provided on the importance of implementing such measures. **At the end of Q2 2020** all portfolio clients that were operating had implemented basic health and safety measures such as the wearing of face masks, use of hand sanitisers, and were also compliant with social distancing restrictions.

The following safety measures have been put in place  
 (among fully/partially operational investees)



**100%** Promoting the use of face masks and adequate PPE at all times



**100%** Providing hand sanitisers and implemented social distancing measures



**80%** Implemented measures to isolate any sick employee and advising staff to self-quarantine



**75%** Implemented measures for screening staff and other stakeholders

We continued using our newly developed **Resilience Tool Kit** to guide a detailed discussion with clients on how to **protect revenue and reduce expenses**.

Each client undertook a **rigorous cashflow stress test** and had to **gauge the expected impact** of the pandemic on four aspects of their business: demand, supply chain, staff, and finances. This process also included reviewing expenses line by line to consider measures such as renegotiating rental agreements or reducing staff hours and exploring alternatives to increase revenue, such as moving to online sales.

### STRATUS MEDICAL IMAGING SOLUTIONS NAIROBI, KENYA

Stratus provides diagnostic and radiology services such as CT scans, x-rays, and ultrasounds, as well as laboratory services. Although Stratus could continue operating, lockdown regulations saw its sales drop by around 70% as restrictions on movement meant fewer patients visited the clinic for routine check-ups, pregnancy scans, and minor ailments.

The clinic employs 13 people and Dr. Elijah Kwasa, Stratus’s owner, says the situation has left him feeling frustrated and exhausted.



“I have received several demands for payment in a setting of constrained revenues and my staff are relying on me to maintain their livelihoods. GroFin has engaged with us to look for a roadmap out of the current economic drought.” Dr. Elijah Kwasa

The Kenyan team took Dr. Kwasa through the above-mentioned resilience exercise and, with the assistance of the Business Support Executive, recommended the following to help the business increase its revenue and better manage its debt and expenses:

- **Reduce rental expense by finding another medical practice to occupy unused floor space.**
- **Manage debt collection pro-actively by hiring a staff member to focus on this.**
- **Explore invoice discounting from a commercial bank to keep the business liquid.**

## BUSINESS SUPPORT

### HIGHLAND SCHOOL, RWANDA



Highland School is a private primary and nursery school and was serving 570 students before the Rwandan government forced all schools in the country to shut down in mid-March. With schools only expected to reopen in September, Highland School is left with no income whatsoever, as parents stopped paying school fees as soon as the school closed.

This difficult situation has even led Edward Munyaburanga, the owner of Highland, to give up his rented home. His family now lives on the school premises. Edward is also worried that when schools are finally allowed to reopen, Highland will struggle to meet new COVID-related requirements as the business will need to purchase additional desks and sanitising supplies.

“If the school closes completely, all our staff would lose their jobs. It is difficult, since we have financial commitments to suppliers, banks, and our employees. It would hit us hard. GroFin has always been with us, advising and guiding us in every way possible.”

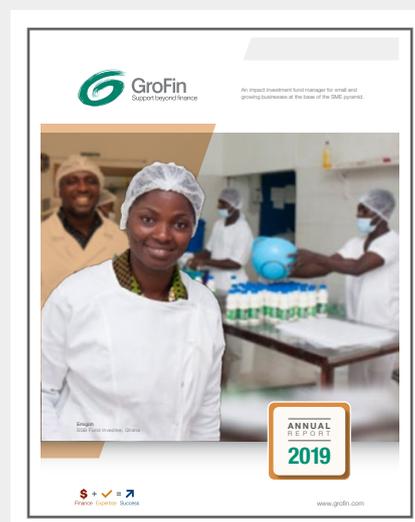
Highland employs 45 people but has stopped paying salaries to all but 9 administrative staff members. GroFin reviewed the possibility of restructuring the loan but concluded that would necessitate a longer loan tenor and higher interest rate which would not be beneficial to the business.

## ANNUAL REPORT

GroFin released its annual Impact Report for 2019 during the second quarter of this year. The report highlighted that GroFin deployed USD 21m in growth capital to 25 new small businesses during 2019, thereby increasing the number of jobs sustained since inception to 89,450.

The Impact Report also provides an overview of the following:

- GroFin's initial client interventions in response to the COVID-19 pandemic.
- The financial performance and impact generated by each of our seven active Funds, including the GroFin SGB Fund.
- The impact our finance and business support have on our clients' businesses and how these businesses impact communities through job creation.



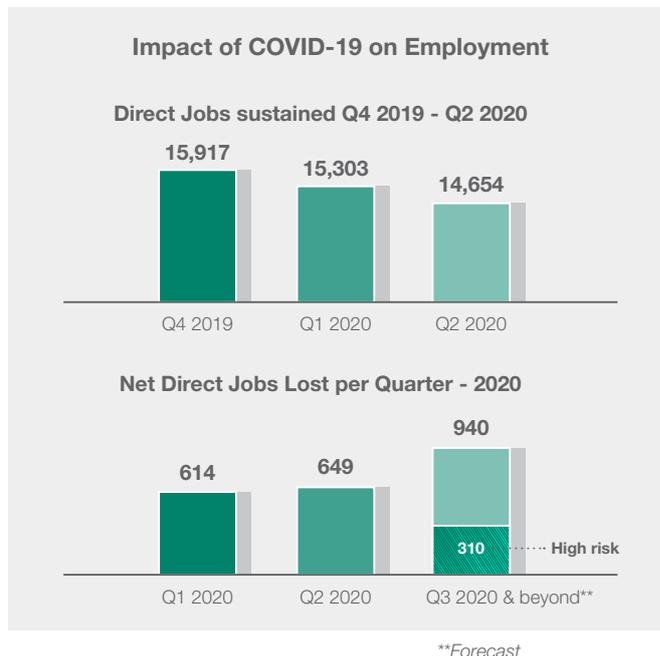
## IMPACT

### OVERVIEW

As at Q2 2020

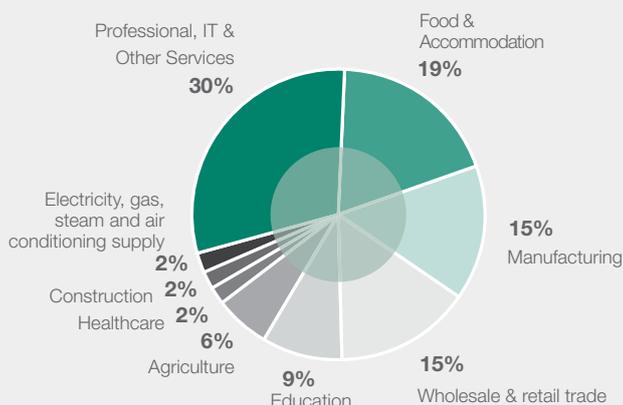
Direct jobs sustained.....	14,654*
Total jobs sustained.....	44,640
Total livelihoods sustained.....	232,210
Direct jobs sustained per USD 1M disbursed.....	119

\*also includes workers that have been sent on paid and unpaid leave during the lockdown period.

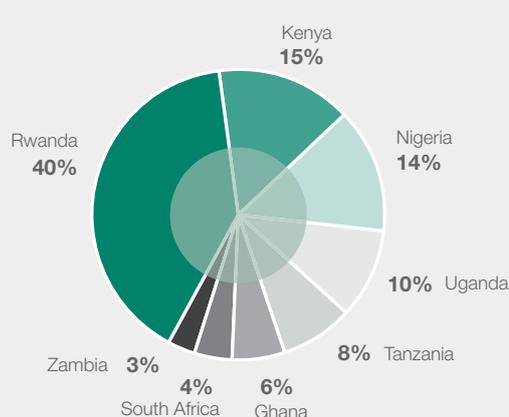


- During Q2, **784 jobs were lost** at the level of 44 portfolio clients, while 17 investees saw a combined increase of 135 jobs. This resulted in an overall **net loss of 649 direct jobs**. The net decrease in jobs during Q1 and Q2 include a loss of employment at client businesses who were already struggling before the COVID-19 crisis, as well as those that found it difficult to sustain employment following the impact of the pandemic.
- The Fund saw a **net loss of 1,263 direct jobs since Q4 2019** (8% decrease), with a net loss of 614 direct jobs during Q1 2020 and a further net loss of 649 direct jobs during Q2 2020.
- Prolonged business closures due to lockdowns, disruptions in supply chains, and changing consumption patterns may result in further job losses during Q3 2020 and beyond. It is estimated that **940 existing jobs may be at risk** – these are current employees who have been placed on unpaid leave by our investees. An estimated **310 of these jobs are at high risk of being lost**.

% of Direct Jobs lost per sector during Q2 2020



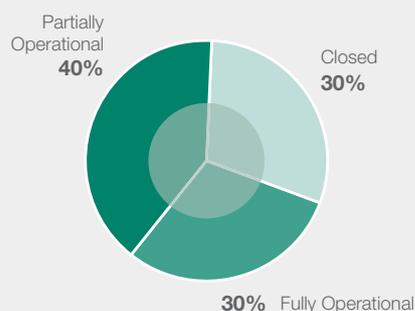
% Jobs lost by country during Q2 2020



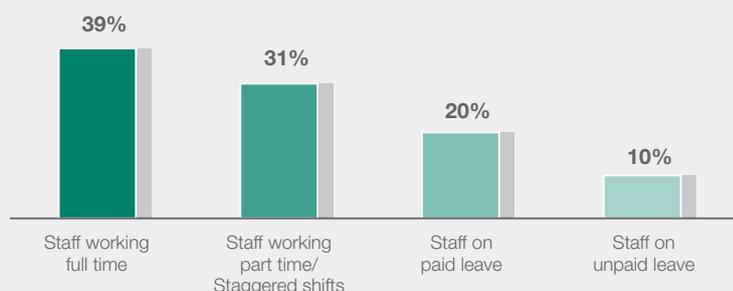
- Businesses operating in the **tourism & hospitality sector** providing food & accommodation services (hotels, guest houses, restaurants, and fast food outlets) experienced the **greatest number of job losses** during Q2. Other sectors that were affected by retrenchments are the wholesale & retail trade industry and the manufacturing sector (mostly food manufacturing).
- A single client in Rwanda (**Rwanda Garden Landscaping**), providing professional security services, **reduced its workforce by 153** and this accounted for the bulk (65%) of jobs lost in the professional services sector and in that country.
- The majority of job losses were observed in the following countries: **Rwanda, South Africa, Kenya and Nigeria**.

## IMPACT

Status of active portfolio clients during Q2 2020



% Staff by employment status



30% of the Fund's 133 active portfolio clients (i.e. excluding Exits, Write-offs, EDC, and Legal) were closed for most of Q2 (staff on paid and unpaid leave), while 30% were fully operational (with full and/or limited staff) and 40% were partially operational (operating with a limited workforce).

The table below contains data gathered from active portfolio clients indicating how the pandemic has affected the monthly earnings of their employees. Nearly 17% of employees have been faced with pay cuts ranging from 50% - 100%, while around 80% are earning the same as before COVID-19.

Type of employment outcomes - Jobs sustained by Investees

% Decrease in monthly salary	Operational staff	Staff on paid leave	Staff on unpaid leave	Total
0%	5,648	1,588	-	7,236
15% - 49%	325	-	-	325
50% - 80%	295	219	-	514
80%	59	42	-	101
100%	-	-	941	941

9,117

- The 941 employees currently on unpaid leave are employed by 32 active portfolio clients. This is equivalent to an estimated quarterly wage bill of USD 450k.