

FUND OVERVIEW

MESSAGE FROM THE CEO & CIO



Brienne van der Walt
Chief Executive Officer



Cobus Wells
Chief Investment Officer
for Africa

In our previous quarter report, we mentioned the resilience and ingenuity of some of the entrepreneurs supported by the SGB Fund. Since July, the pandemic lockdown has been partially and, in some instances, fully lifted in most African economies. We have been encouraged to see businesses reopen their doors and some even making a quick recovery.

Munachiso Okan, the owner of Chloe’s Cupcake Heaven in Abuja in Nigeria, managed to get her business back to 84% of its pre-COVID sales despite substantially increased costs attributable to the naira devaluation. Human Diagnostics in Uganda is managing to sell close to 50% more than pre-COVID, while in Lagos, Reals Pharmaceuticals’ sales are up 90% above the first quarter of 2020. EcoPlastic, a waste recycling business in Rwanda, experienced a 75% slump in turnover during Q2 but have now fully recovered. With some clients it is only the strength of balance sheets that has pulled them through the second quarter when they could not do business. And of course, we still have many schools closed, where only time will tell if they will survive their extended closures.

Stakeholders in the SGB Fund should consider the reality faced by vulnerable small businesses operating in Africa. Financial reserves to weather storms like the pandemic are thin, and often the first response is to stop paying all creditors. This is also what we observed during Q2 – a sharp decline in realisations from clients. But we are also seeing how clients are slowly resuming their obligations to the Fund – not always smoothly – but their recovery is already visible.

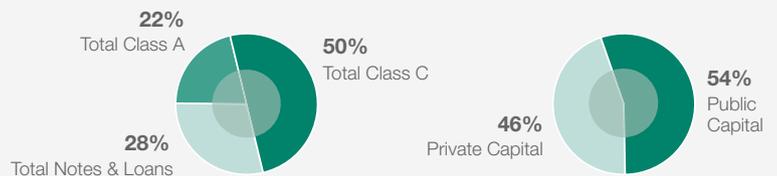
CAPITAL OVERVIEW

As at Q3 2020

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

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

Capital Structure (NAV)



QUARTERLY HIGHLIGHTS

• Business Support

GroFin utilised the skills of its own marketing team to provide additional business support to help clients to improve their online presence in response to COVID-19. Our marketing team advised clients through social media workshops and subsequent one-on-one sessions to review and advise them on their current online activities.

• Financial relief

The Investing for Employment (IFE), an investment facility created by KfW Development Bank (KfW), has committed EUR 5.21m in relief funding to the SGB Fund to combat the negative financial impacts of COVID-19 on its client businesses. Biotitale, an Ivorian consulting firm providing laboratory testing and analysis, was the first SGB client to receive grant funding.

• Technical assistance

Thanks to a COVID-19 response grant in the form of technical assistance from FMO, GroFin has been working with global impact and advisory firm Palladium to develop a new tool to further strengthen our business support offering. The new tool will help to facilitate discussions with clients and enable us to take a structured and holistic approach to helping them manage risks.

• Brand Building

GroFin is honoured to be the winner in the SME Financier category in the Africa Global Funds (AGF) Service Providers Awards for the second year in a row. GroFin won the same award in 2019 in recognition of our work in developing SMEs in Africa.

PORTFOLIO

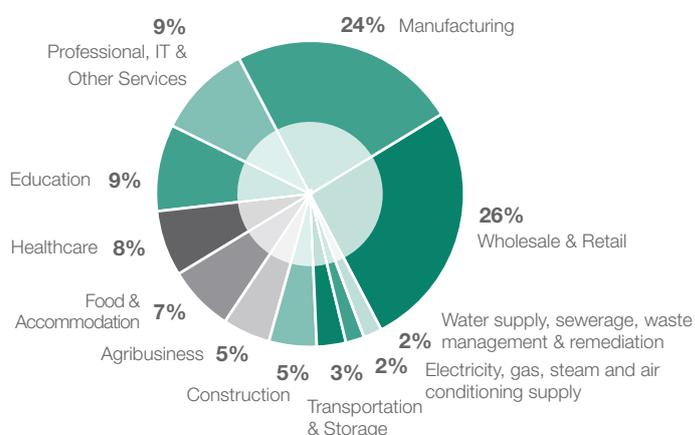
OVERVIEW

As at Q3 2020

SME disbursements.....	USD 121.7M
Total portfolio balance.....	USD 99.1M
SMEs invested in.....	218
GroFin offices across Africa.....	11

No new clients invested in during Q3 as a result of liquidity constraints brought about by the pandemic.

GroFin SGB Fund disbursement (%) by sector



GEOGRAPHIC BREAKDOWN OF PORTFOLIO BALANCE

Total portfolio balance by country



COUNTRY	% OF PORTFOLIO (GROSS)
SOUTH AFRICA	8.2%
ZAMBIA	5.6%
TANZANIA	6.7%
RWANDA	10.3%
KENYA	14.4%
UGANDA	12.7%
EGYPT	16.9%
LAGOS	9.8%
GHANA	6.5%
IVORY COAST	6.4%
SENEGAL	1.5%
TOTAL	100%

FINANCIAL RELIEF

SGB Fund clients receive support from a KfW-managed facility

The Investing for Employment GmbH (IFE), an investment facility created by KfW on behalf of the German Federal Ministry for Economic Cooperation and Development, has committed EUR 5.21m in relief funding to the SGB Fund to combat the negative financial impacts of COVID-19 on its client businesses. IFE was established in 2020 and forms an integral part of the German Government's Special Initiative on Training and Employment.

The funding will be used to provide grants to 26 SGB clients in Rwanda, Ghana, Senegal, and Ivory Coast. It includes up to USD 1.85m in interest subsidies to settle the interest portion of instalment moratoriums the SGB Fund has provided these clients. The key criteria for assigning funding to clients include the financial health of the business before the pandemic and evidence of how it was impacted by it, the number of jobs the business sustains, and its future viability. At the time of writing, the SGB Fund had disbursed the first tranche of funding to four clients.

GRANT BENEFICIARY: BIOTITIALE IVORY COAST



“We were relieved when we learned that the KfW grant had been approved. We are optimistic that we will be able to sustain the business.”



Dr Kossonou Yao Kamele, owner of Biotitale

Biotitale, an Ivorian consulting firm providing laboratory testing and analysis, was the first SGB client to receive IFE grant funding. The business performs testing and analysis on substances including source & wastewater, foodstuffs, and soil for clients in the mining and manufacturing sectors. In 2017, the SGB Fund provided Biotitale with financing to purchase new equipment.

When Ivory Coast implemented restrictions on movement to curb the spread of COVID-19, Biotitale’s technicians could no longer visit client sites to collect samples. Its revenues suddenly more than halved during March and April. Clients who usually paid within 30 days now took 60 to 90 days to settle their accounts – even after COVID-19 restrictions were lifted in May.

Biotitale struggled to cover its operational expenses, including salaries. The IFE grant funding will enable the business to maintain its equipment, procure consumables, and pay its staff. It will continue to employ 12 people, including six women.

GENDER LENS INVESTMENT

OVERVIEW

As at Q3 2020

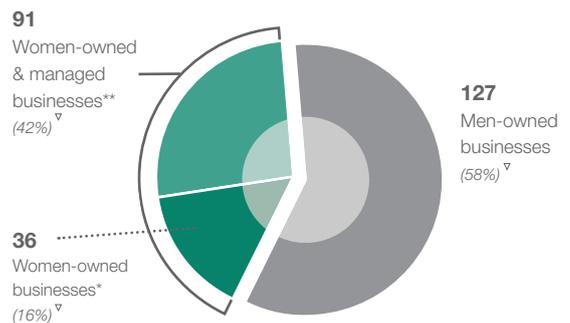
Women-owned & managed** businesses financed.....	91
Disbursements in women-owned & managed** businesses....	USD 44.2M
Women-owned* businesses financed.....	36
Disbursements towards women-owned* businesses.....	USD 14.6M
Direct women jobs sustained.....	4,592

* 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.

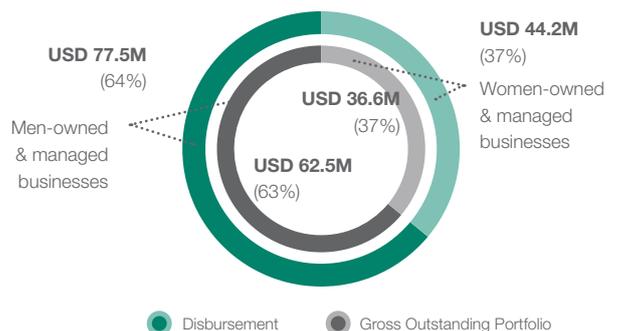


Royal Elite School - Tanzania

Composition of Investees by Gender
 ▽ % of investees in SGB portfolio



Disbursement & Gross Outstanding Portfolio



BUSINESS SUPPORT

OVERVIEW

As at Q3 2020

Entrepreneurs who received pre-investment business support...**2,316**
 Entrepreneurs who received post-investment business support.....**218**

During Q3 2020

Entrepreneurs receiving pre-investment business support.....**76**
 Entrepreneurs receiving post-investment business support.....**118**

During Q3, GroFin’s investment staff pursued their efforts in providing portfolio clients with support as per our COVID-19 ESG Framework leading to the following client outcomes:

- **77%** have implemented measures to actively screen employees, clients and other stakeholders upon arrival at business premises
- **100%** of clients require employees to wear face masks and other adequate PPE at all times
- **85%** of clients implemented measures to isolate any sick employees and advise staff to self quarantine
- **100%** of clients implemented measures to ensure social distancing and installed related health and safety signage
- **95%** of clients provide hand sanitisers for employees and other stakeholders and also ensure regular cleaning/disinfection of business premises

FMO FUNDED 20 DAYS OF TECHNICAL ASSISTANCE

Thanks to a COVID-19 response grant in the form of technical assistance from FMO, GroFin has been working with global impact and advisory firm Palladium to develop a new tool to further strengthen our business support to clients.

The tool consists of extensive evaluation surveys to facilitate discussions with clients to ensure investment managers take a holistic and structured approach to helping clients manage risks. It prompts investment managers to ask key questions which then determine the business support actions to be implemented. This includes a SWOT analysis and delving into factors such as management and financial risk, competitiveness, cost and human resources management, and the ability to adapt to changing business conditions using technology. It will be rolled out in Q4, with an initial focus on high risk clients.

GROFIN MARKETING PROVIDES SUPPORT TO CLIENTS

SOCIAL MEDIA MARKETING WORKSHOPS

An accelerated shift to online trading and marketing is expected to be one of the long-term trends arising from the COVID-19 pandemic. GroFin has utilised the skills of its own marketing team to provide additional business support to help our clients improve their online presence.

The marketing team hosted two social media marketing workshops where they shared advice and best practice on building an effective social media presence with SGB clients in Kenya, South Africa, Tanzania, and Ghana.



ONE-ON-ONE ENGAGEMENT ON ONLINE MARKETING WITH CLIENTS FROM KENYA AND IVORY COAST

As part of our Business Support offering, we have engaged in one-on-one calls with clients to offer advice on their online presence. At the time of writing, 13 SGB clients from Kenya, Senegal, Ivory Coast, and Nigeria have benefitted from the training. The one-on-one sessions are still on-going.



I like the simplicity of the training and the ways in which we can apply the things that we have learned today with my team. I have been doing this alone. There are several things I have taken out of this training.

*Mrs Sylvia Kamotho
 Owner of Kinderville, Kenya*



I think we learned a lot. As for the use of WordPress, this is an important element that I have retained which will help modify the content of our website more quickly. We want our discussion to be recurrent for better results.

*Mr Doumbia Vakaba
 Owner of ESMA, Ivory Coast*



The training has been an eye-opener. There are things that we failed to do but now because of the insights that we received, we have something that we can put in action and improve our social media presence which will translate into revenue.

*Mr Obado Obadiah
 Owner of Café Déli, Kenya*



BUSINESS SUPPORT

MY SHOES ARE MY OFFICE INITIATIVE IS BACK AFTER LOCKDOWN



Regular meetings with our clients are a key part of the continuous business support and advice we provide them. While we continued to advise our clients remotely during COVID-19 lockdowns, we greatly value being able to advise them on the ground at their business premises. As strict lockdown measures were lifted in SGB’s countries of operation in Q3, we were excited to revive My Shoes Are My Office (MSAMO) – a groupwide initiative in which the investment teams from all GroFin’s offices step out to visit clients on the same three days. We also increased the frequency of MSAMO from monthly to every second week.

COVID-19 IMPACT ON THE EDUCATION SECTOR



One of the SGB Fund’s sectors of focus which has been most seriously impacted by COVID-19 is education. Extended school closures since March this year across the Fund’s countries of operation has left most schools with large cashflow gaps. Schools in some markets remain closed.

The economic impact of COVID-19 on parents and prevailing payment culture in these markets meant that most schools could not collect any fees during closures. The characteristics of their student population also meant that few could shift to online classes.

The SGB Fund has invested USD 11.5m in 23 schools and education institutions. These businesses sustain 1,115 jobs, including 639 held by women, and serves 13,370 students.

CASE STUDY

IGANGA SCHOOL OF NURSING AND MIDWIFERY – UGANDA

Iganga School of Nursing and Midwifery (ISNM) provides tertiary training for students to qualify as nurses and midwives. ISNM has produced over 6,000 graduates and when COVID-19 struck Uganda, it had 925 students in attendance. It employs 82 people, including 50 women.

Lockdown measures forced ISNM to close in March – leaving the business without any income – and it could only reopen in September. The school was also forced to postpone the intake of new students from July 2020 to next year – leaving it without its key source of revenue for the year.

Despite the complete lack of income, ISNM had to continue to cover expenses like security and implementing the necessary COVID-related measures to reopen. Unable to pay its staff, the school provided them with food relief packages. Due to the severe strain on ISNM’s cashflow, the SGB Fund has granted the business a moratorium of 12 months on its capital and interest payments.



Business Support provided to ISNM:

As part of its business support to ISNM, GroFin Uganda shared a resilience toolkit with the entrepreneur and assisted the business with the following:

- Evaluating its level of resilience based on four business aspects: demand, supply chain, employees, and financial impact.
- Employee management, given its inability to meet its wage bill – all employees were placed on unpaid leave.
- Implementing robust COVID-19 measures to allow the school to meet the regulatory standards for reopening.

“GroFin kept in touch with us, providing encouragement and some guidance on what we can do to reduce our costs. The future of the business? I don’t know. But I know with faith and encouragement from GroFin, we shall be able to overcome.” - David Byawaka, owner of ISNM

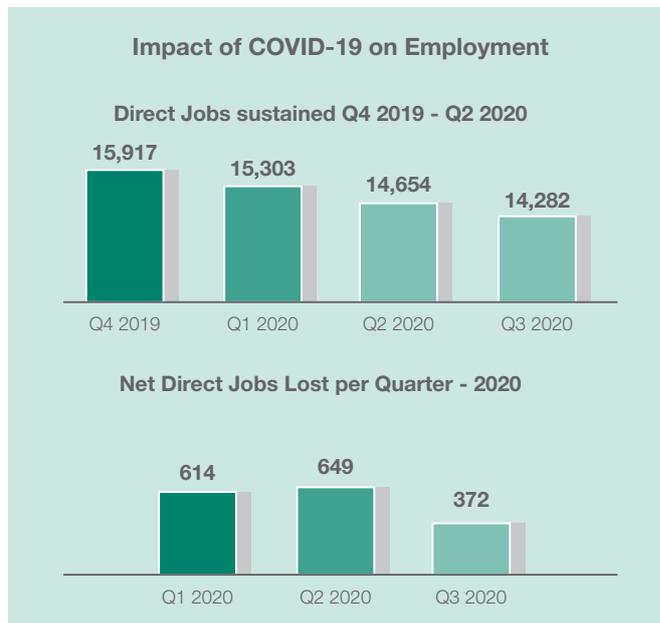
IMPACT

OVERVIEW

As at Q3 2020

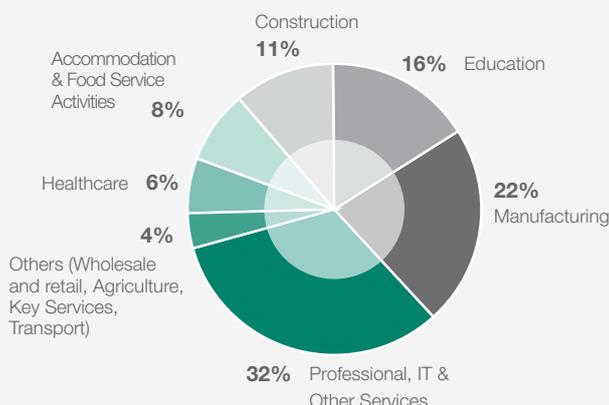
Direct jobs sustained.....	14,282*
Total jobs sustained.....	43,500
Total livelihoods sustained.....	217,500
Direct jobs sustained per USD 1M disbursed.....	117

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

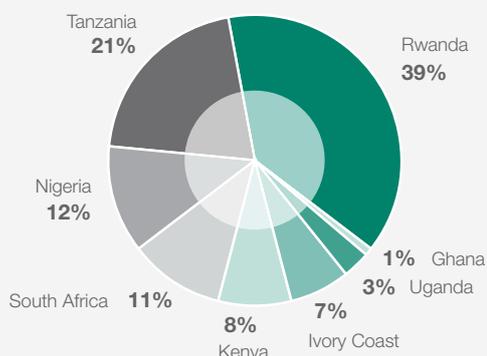


- During Q3, 583 direct jobs were lost at the level of 35 portfolio clients, while 19 investees recorded a combined increase of 211 new jobs. This resulted in an overall net loss of 372 direct jobs.
- Due to the prolonged effects of the pandemic during Q3, a number of clients in the portfolio faced a slowdown in terms of sales and were affected by disruptions in their supply chains.
- The Fund recorded a net loss of 1,635 direct jobs since Q4 2019 (10% decrease), with a combined loss of 1,263 jobs during Q1 and Q2, and a further net loss of 372 jobs during Q3.
- Sectors that have reported the most losses in direct jobs are professional services (32%), manufacturing (22%), education (16%), construction (11%), and accommodation & food services (8%) – following a roughly similar pattern to jobs lost during Q2 2020.

% of Direct Jobs lost per sector during Q3 2020

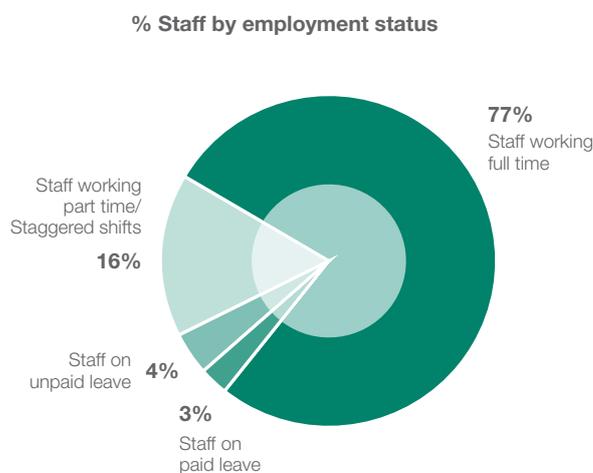
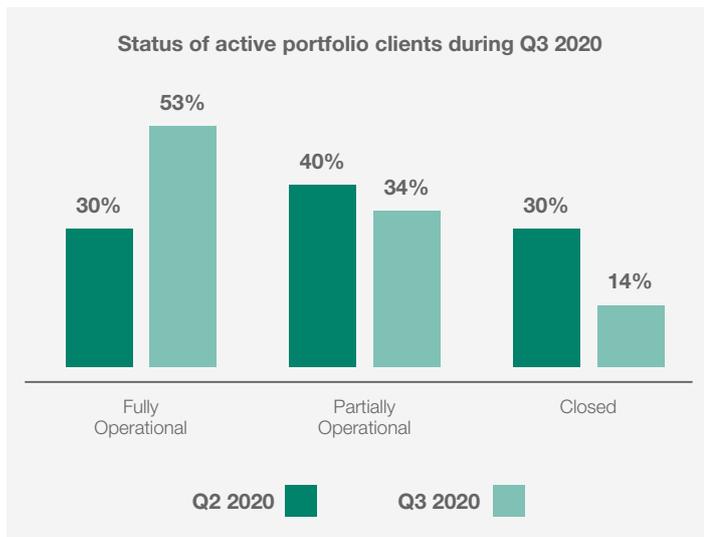


% Jobs lost by country during Q3 2020



- A single client in Rwanda (Rwanda Garden Landscaping) providing professional security services, reduced its workforce by 185 during the quarter, accounting for nearly all of the jobs lost in the professional services sector and within SGB's portfolio in the country..
- Businesses operating in the manufacturing sector (mostly food manufacturing) were affected by retrenchments, as well as those operating in the education and construction sectors as they were negatively impacted by in-country lockdown restrictions.

IMPACT



Of the Fund’s 118 active portfolio clients (i.e. excluding exits, write-offs, EDC and legal), 53% were fully operational, 34% were partially operational and 14% were closed – indicating a gradual resumption of economic activity in certain countries as lockdown restrictions were lifted during Q3.

The table below contains data gathered from active portfolio clients indicating how the pandemic has affected the monthly earnings of their employees. 77% of employees (down 3 percentage points from Q2) are still earning what they were earning pre-COVID while 17% are earning between 15% - 80% of their original salaries. Around 2%, representing 183 employees, were without a salary during Q3.

Type of employment outcomes – Jobs sustained by active portfolio clients

% of original salary being paid	Operational staff	Staff on paid leave	Staff on unpaid leave	Total
0%	8	-	175	183
15% - 49%	542	84	-	626
50% - 79%	613	124	-	737
80 - 99%	391	8	-	399
100%	6,601	1	-	6,602
				8,547

- These **183 employees** currently on unpaid leave, at the level of 10 portfolio clients, are equivalent to an estimated quarterly wage bill of USD 107k.

BRAND BUILDING

GROFIN WINS AT AGF AWARDS FOR THE SECOND YEAR IN A ROW



GroFin is honoured to be the winner in the SME Financier category in the Africa Global Funds (AGF) Service Providers Awards for the second year in a row. GroFin won the same award in 2019 in recognition of our work in developing SMEs in Africa through the GroFin model of providing our clients support beyond finance. Our submission for this year’s award focused on the extensive business support we have provided our SME clients in response to the COVID-19 pandemic. The AGF Awards, honouring the outstanding efforts of fund service providers covering Africa, are decided by an independent panel of esteemed industry leaders and experts.