

FUND OVERVIEW

MESSAGE FROM THE CIO & IE

The impact of COVID-19 on Jordan’s people and its economy is far from over. The country’s economy remained weak in Q3, after contracting in Q2 due to very stringent lockdown measures and border closures. Economists expect to post a sharp contraction for the year as a whole, before recovering in 2021. However, this outlook is far from certain. At the time of writing, Jordan was experiencing a surge in new COVID-19 infections, prompting authorities to implement further renewed containment measures.

In this challenging and uncertain environment, the Nomou Jordan Fund did not make any new investments during Q3, yet two new transactions were approved for investment after careful screening and diligence. The team also focused on implementing actions to help stabilise current portfolio clients where required. At the end of September, the Fund had invested USD 24m into 42 clients since its inception and has realised USD 13.6m (57%) of this amount. Gross assets under management amounted to USD 19.4m and fund returns stood at 7.3%.

At the end of Q3, the Fund continued to sustain 1,644 jobs, including 182 held by refugees or migrants. The Fund saw a net increase of 1 direct job during Q3, with one existing client creating 51 new direct jobs while 50 direct jobs were lost at the level of seven other portfolio clients.

Despite considerable economic headwinds, the Fund expects to disburse approximately USD 2m in new businesses during the final quarter, out of which USD 700k has already been disbursed at the time of writing this report. This will bring the total disbursements for 2020 close to USD 3.5m, in line with the revised target for this year.



Ashraf Esmael
Chief Investment Officer
Middle East



Alfinaz Murad
Investment Executive
Jordan

CAPITAL OVERVIEW

As at Q3 2020

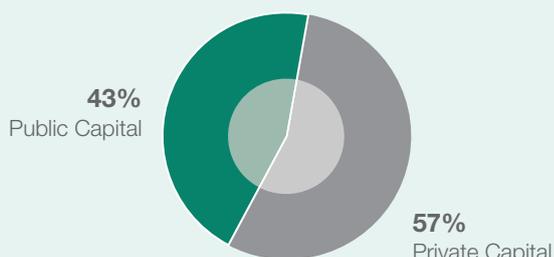
Capital raised.....**USD 26.9M**

Number of Investors & Funders to date.....**5**

Capital Structure

100%
Equity

% of Capital Drawn



QUARTERLY HIGHLIGHTS

- Business Support**

GroFin utilised the skills of its internal marketing team to provide additional business support to help clients and improve their online presence in response to COVID-19. The marketing team advised clients through one-on-one sessions on how to improve their websites and social media presence.

- Brand Building**

GroFin is honoured to have won 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 through the GroFin model.

- COVID-19 Economic Impact**

Jordan imposed exceptionally strict COVID-19 lockdown measures. Tourism has been the sector most seriously affected by COVID-19, followed by manufacturing businesses forced to close during the lockdown. Our team has worked relentlessly with all portfolio clients to support them during this difficult period.

Job losses:

While some clients have been able to perform better under these circumstances, others might probably not survive the crisis. Dire consequences of COVID-19 for businesses include job losses. We have recorded a total of 159 direct jobs lost during Q2 & Q3 among our portfolio businesses in tourism, manufacturing, education, healthcare, and retail sectors.



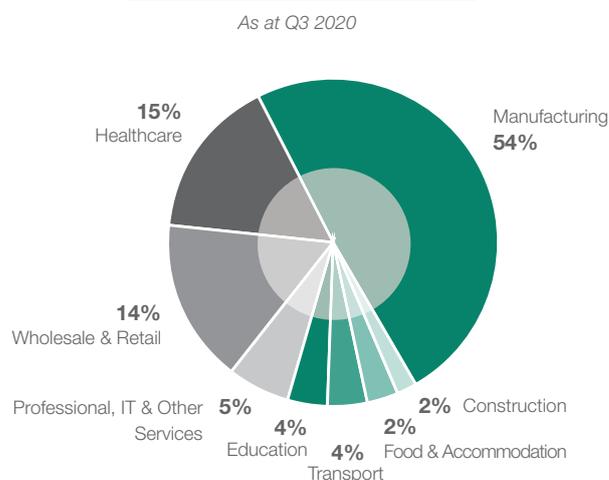
PORTFOLIO

OVERVIEW

As at	Q2 2020	Q3 2020
Total disbursement to SMEs	USD 24.0M	USD 24.0M
Total portfolio balance	USD 20.1M	USD 19.4M
Total number of SMEs invested in	42	42
During	Q2 2020	Q3 2020
New SMEs invested in	-	-
Value of disbursement to SMEs	-	-

No investment activity during Q3 as a result of economic slowdown due to COVID-19 pandemic. However, the fund has approved new investments during the past quarter which will be disbursed during Q4.

DISBURSEMENT BY SECTOR



BRAND BUILDING

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



GroFin is honoured to have won 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 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, honour the outstanding efforts of fund service providers, are decided by an independent panel of esteemed industry leaders and experts.

BUSINESS SUPPORT

OVERVIEW

As at	Q2 2020	Q3 2020
Entrepreneurs who received pre-investment business support	549	557
Entrepreneurs who received post-investment business support	42	42
Refugee-owned businesses who received post-investment business support*	10	10
During	Q2 2020	Q3 2020
Entrepreneurs receiving pre-investment business support	5	8
Entrepreneurs receiving post-investment business support	28	28

During Q3 portfolio clients were supported as per the COVID-19 ESG Framework and the following was noted at the level of clients:

-  100% of clients requiring employees, clients and other stakeholders to wear face masks within business premises
-  100% of clients implemented measures to isolate any sick employees
-  100% of clients implemented social distancing measures and posted signage around COVID-19 related health and safety measures
-  90% actively promoting use of hand-sanitizers and ensuring regular cleaning and disinfection of premises
-  No employees at the level of investees diagnosed with COVID-19

* Includes figures for Al Mueen, a business that was partly owned by an Iraqi migrant at time of investment but who, as at Q3 2020, has divested from the business. The business is now 100% Jordanian and woman-owned.



GROFIN MARKETING PROVIDES SUPPORT TO CLIENTS



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 internal marketing team to provide additional business support to help our clients and improve their online presence. The team reviewed the current online presence of NJF client **Baker’s Choice** on how to improve their website and social media activities during a one-on-one session. We conducted another session with refugee-owned **Al Shaffaf** in Q4 and plan to offer the same support to other clients going forward.



“The topics discussed via video conference were very useful information. They gave me detailed hints and ideas of how to uplift my social presence in the market. In the prior stages of building social media accounts, I will surely like GroFin to continue providing more marketing assistance to the business.”



George Salfiti
Development Manager
at Baker’s Choice

AL HARAMEIN - CLIENT STORY

Al Haremein manufactures a range of papers cups for hot and cold beverages and is partially owned by a Syrian refugee. Before COVID-19 struck, the business was growing rapidly, sales were increasing, and it started exporting to Saudi Arabia.

The strict COVID-19 lockdown in Jordan forced Al Haremein to close its factory for two weeks and it could only operate at minimal production capacity for almost three months. Coupled with border closures which affected exports, these measures saw Al Haremein’s sales decline while its shipping costs simultaneously increased. The business also struggled to collect outstanding payments from its clients.

The NJF granted Al Haremein a 3-month concession on its loan repayments to overcome the gap in its cashflow.

Business Support Provided to Al Haremein

GroFin Jordan advice to Al Haremein, in combination with the payment concession, helped the client to better manage its cashflow. The business could maintain sufficient inventory levels without falling behind on its commitments to others. We also advised the client to switch conducting all transactions possible online. In addition, we advised Al Haremein on improving its ESG practices and exporting to other continents to increase its sales.



*“This concession helped us balance our cash inflows and outflows more effectively in these difficult market conditions and to return to near-normal cashflow management in a shorter period,” says **Basil Qassab**, one of Al Haremein’s owners*



“I was overwhelmed with feelings of anxiety and stress. GroFin was following up with us regularly to make sure we are addressing all key issues. We felt we had a real partner and not just a financier. This gave us emotional support above anything else.”
Basil Qassab, owner of Al Haremein



COVID-19 IMPACT ON NOMOU JORDAN CLIENTS



Direct jobs lost (Q2 and Q3): **44**

TOURISM

After posting double digit growth last year, Jordan's tourism sector has been one of the worst affected by the COVID-19 crisis. According to the Bank of Jordan, **tourism revenues declined by 63,7%** in the first seven months of 2020. The sector is also expected to be one of the slowest to recover.

The three tourism businesses in **Nomou Jordan's portfolio** – **Sindbad, Al Thurayya, and Jordan Experience** – all **suffered severe loss** due to border closures and travel bans. These businesses have not been able to generate any revenue since March and their **future survival is highly uncertain**.



Direct jobs lost (Q2 and Q3): **2**

EDUCATION

The closure of schools for extended periods has severely affected the private education sector. Jordanian schools remain closed for the current semester, which runs until the beginning of next year. The two schools in the portfolio had varying experiences.

Located in Amman and **servicing a higher income demographic, English Talent School** was able to shift to online learning and **performed well** despite the crisis. This client is set to exit the Fund soon.

Al Menbar School, is in a Bedouin area and **serves students from much lower income brackets** – including refugee children. Parents from this segment – whose incomes were more seriously affected by the pandemic – refrained from paying tuition.



Direct jobs lost (Q2 and Q3): **63**

MANUFACTURING

According to the Department of Statistics, Jordan's economy contracted by 3,6% in annual terms in Q2, when lockdown measures kept many businesses closed and forced others to operate at limited capacity. During this quarter, output in manufacturing sector decreased by 5.3%.

Those who produce **goods deemed as essential** were therefore allowed to operate during lockdown periods, have managed to **post strong performances** despite the pandemic. This includes NJF investees, **Hygex**, which produces cleaning products in high demand due to the pandemic, as well as **Retaj**, and **Kafak**, which produce essential food items.

Manufacturers which were forced to **close during the lockdown** but **sell essential goods** that remained in demand despite pressures on the economy, also managed to **post decent performances**. **Kashta**, which produces biscuits, and **Spectrum**, which produces veterinary pharmaceuticals fall in this category.

Manufacturers **relying on exports** were **badly affected** by border closures, as in the cases of **Al Heramein** and **Al Mueen** which saw their sales decline as they could not send their products to Saudi Arabia.

Direct jobs lost (Q2 and Q3): **30**



HEALTHCARE

Only one of the two medical practices in the portfolio could operate during the lockdown period. **Hiba Hospital performed well**, even though it saw a decline in patient numbers due to the lockdown, restrictions on movement, and border closures which cut off patients from neighbouring countries. **My Ray performed poorly**. It was closed during the lockdown and its patient numbers were also negatively affected, especially as its radiology services include routine and elective procedures.

Zahret Al Walid, which distributes medical supplies – including face masks – to hospitals and clinics **performed very well** during the pandemic. The business's products were in high demand and its sales increased.

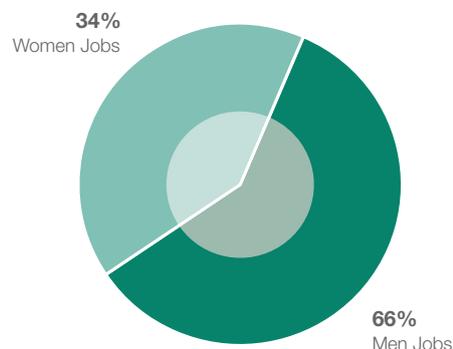


IMPACT

OVERVIEW

As at	Q2 2020	Q3 2020
Total jobs sustained	2,520	2,520
Direct jobs sustained	1,643	1,644
Total livelihoods sustained	12,600	12,600
Direct jobs sustained per USD 1M disbursed	67 jobs	67 jobs

Cumulative Direct Jobs Sustained by Gender



- The Jordanian **economy slowed down** during Q3 due to the impact of the pandemic and related containment measures. During Q3, **13** of the Fund's 28 active portfolio clients were **fully operational**, while another **13** were **partially operational**. **One** client was **not operational**.
- The Fund saw a **net increase of one direct job** during the quarter. Although one client (Retaj For Foodstuff & Supplies) created **51 new jobs** during the quarter, **50 other direct jobs were lost** by seven clients. Retaj managed to create new jobs despite the very challenging conditions created by the pandemic as it provides essential goods in the form of foodstuff and related products and could continue operating during the lockdown. Of these new jobs created, 90% are held by unskilled and semi-skilled workers and 30% are held by refugees.
- Seven of the Fund's investees continued to feel the prolonged effects of the pandemic on their businesses, resulting in the **loss of 50 direct jobs**. This figure includes 15 direct jobs lost at a client business in the manufacturing sector (producing goods considered as non-essential) and 16 direct jobs at businesses in the tourism sector – one of the sectors hit hardest by the pandemic. The remaining job losses were reported by clients operating in education and retail trade.
- Another estimated **20 jobs are considered be at risk** during Q4. These jobs are at client businesses operating in the manufacturing and retail trade sectors. However, given the surge in new cases of COVID-19 and renewed lockdown measures imposed at time of writing, it remains difficult to predict employment outcomes.
- In pursuit of its objective to create employment opportunities for those at the bottom of the income pyramid, including refugees, the Fund is expected to invest in a new client during Q4. This business has high impact credentials and sustains 145 direct jobs, 90% of which are held by unskilled or semi-skilled workers and 50% of which are held by Syrian refugees.

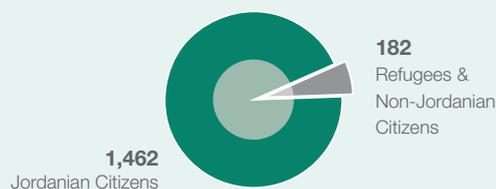
REFUGEE OUTREACH

OVERVIEW

As at	Q2 2020	Q3 2020
Refugee & non-Jordanian livelihoods impacted directly	805	910
Direct jobs sustained by refugees & non-Jordanians	161	182
Refugee & non-Jordanian-owned businesses receiving financial and post-investment business support*	10	10
Disbursements in refugee & non-Jordanian-owned businesses*	USD 5.1M	USD 5.1M
Investee businesses employing refugees & non-Jordanians	18	17

* Includes figures for Al Mueen, a business that was partly owned by an Iraqi migrant at time of investment but who, as at Q3 2020, has divested from the business. The business is now 100% Jordanian and woman-owned.

Direct Jobs Sustained by Nationality



Financial and Post-investment Business Support

