

FUND OVERVIEW

MESSAGE FROM THE CIO & IE



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The COVID-19 pandemic and subsequent collapse in oil prices placed unprecedented strain on Iraq's economy during 2020. COVID-19 hit Iraq's oil dependant economy at a time the country was already facing social and political tensions and still trying to rectify the damaged caused in regions previously controlled by ISIS. Although the Nomou Iraq Fund (NIF) and Northern Iraq Investments (NII) had to operate in this extremely challenging environment, their investments continued to generate positive impact.

NII quickly adapted its existing programme to offer relief loans to SMEs in dire need of additional funding in the wake of the COVID crisis. The new programme made 6 new investments in Q4. At the end of 2020, it had approved and disbursed USD 1.2m to 21 SMEs. The COVID-19 SME Support Programme has helped investees to preserve jobs and enabled them to honour commitments to suppliers and distributors. Although focusing on this Programme slowed progress on other new investments by NII, it ended the year with a strong pipeline of USD 2.2m in deals at an advanced stage. NII currently sustains 510 direct and indirect jobs and supports over 2,550 livelihoods.

NIF also experienced a challenging year due to disruptions to its operations and the strain the pandemic placed on investee businesses. During Q4, the Fund disbursed a total of USD 216k to two clients (Alkiseer Althahabi and Al Mawazeen) and recorded a net increase of 36 direct jobs. Unfortunately, NIF's investees recorded a net loss of 130 direct jobs for the year with highest job losses within the oil and gas, engineering, and recreational sectors. NIF disbursed a total of USD 547k in 2020 and to date the Fund has invested USD 8.03m in 13 SMEs. The Fund still sustains a total of 498 direct jobs and ultimately 7,700 livelihoods. Its portfolio returns stood at 10.4% at the end of Q4 2020, still trending above the Fund's target of 10%.

At the end of 2020, NIF and NII had disbursed and committed a combined USD 13.6m in funding to 39 SMEs. These businesses sustain 879 direct jobs and 7,700 livelihoods. As the pandemic drags on, conditions will remain challenging for some time before economic reforms can be implemented and the economy can recover. This outlook only reinforces the need for the finance and support NII and NIF provides, as well as for the socio-economic impact these Funds generate.

QUARTERLY HIGHLIGHTS

• Impact Management

GroFin is proud to further its commitment to global best practice in managing investments that generate impact by becoming a signatory to the IFC Operating Principles for Impact Management. GroFin views this as an important milestone that publicly demonstrates and reinforces the company's disciplined approach to achieving, measuring, and reporting on impact.

• COVID-19 SME Support Programme

At the end of 2020, NII had approved and disbursed relief loans to 21 businesses through the COVID-19 SME Support Programme. This funding will enable them to sustain a total of 335 direct jobs. The Programme had disbursed USD 1.2m of its investment target of USD 1.5m.

• Gender Lens Investing

The Mennonite Economic Development Agency (MEDA) conducted online training sessions for GroFin staff to sensitise investment teams on gender equality and unpack our gender lens investing (GLI) strategy. The training also aimed to increase awareness of best practice in gender lens investing and helped staff to improve their understanding of women entrepreneurs' unique finance and technical assistance needs.

• Client Satisfaction

Our annual client satisfaction survey showed that 78% of respondents were "satisfied" or "highly satisfied" with GroFin. This represents a 15% increase in overall satisfaction as reflected in positive feedback on factors like COVID-19 support, professionalism, responsiveness, and understanding client challenges.

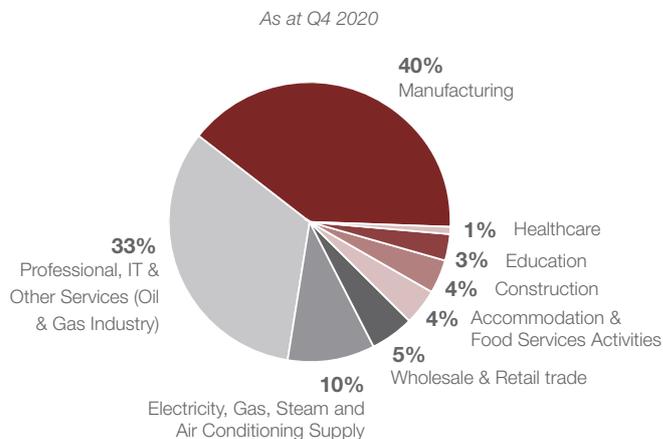


PORTFOLIO

OVERVIEW

<i>As at Q4 2020</i>	NIF	NII
Total disbursement to SMEs	USD 8.0M	USD 1.4M
Total portfolio balance	USD 6.2M	USD 1.3M
Total number of SMEs invested in	13	22
<i>During Q4 2020</i>		
New SMEs invested in	1	6
Value of disbursement to SMEs	USD 216K	USD 480K

DISBURSEMENT BY SECTOR - NIF & NII



INVESTEE SPOTLIGHT

Al Mawazeen (NIF Investee)

Al Mawazeen is a leading engineering, procurement, and construction contractor for electromechanical works in the south of Iraq. The business initially focused on construction before expanding to also supply electric, mechanical, and chemical products. Al Mawazeen’s large showroom sells a wide range of lighting fixtures, wiring accessories, and professional electrical equipment. The business employs 37 people, including 9 women.

Despite challenges like social unrest in Basra, COVID-19, and collapsing in oil prices, Al Mawazeen continued to grow over the past two years. But the pandemic did not leave it unscathed. Government restrictions affected Al Mawazeen’s construction activities by reducing working hours and forcing employees to stay home, while its clients chose to hold off on approving new projects. Sales in its showroom also plummeted and many of its customers delayed their payments, placing considerable strain on the business’s cashflow.

At the end of 2020, the Nomou Iraq Fund provided Al Mawazeen with USD 500k in financing to help overcome this challenge by fulfilling the business’s working capital needs. We also advised the client to focus on online marketing, to start offering delivery services to its customers, and on best practices regarding inventory management.



“The financing we obtained from GroFin is helping us to improve our working capital and to overcome the delays in payments from our clients. There is always hope. I think the future of the business is promising.”



Dr Haider Al-Mulla, owner of Al Mawazeen



BUSINESS SUPPORT

OVERVIEW

As at Q4 2020	NIF	NII
Entrepreneurs who received pre-investment business support	102	60
Entrepreneurs who received post-investment business support	13	22
During Q4 2020		
Entrepreneurs receiving pre-investment business support	2	4
Entrepreneurs receiving post-investment business support	8	22



Noor El Qamar, NIF Investee

Annual survey shows increase in GroFin client satisfaction

GroFin has been encouraged by the improvement in our clients' satisfaction with our service as we increased our efforts to support them during the COVID-19 crisis. As client experience makes such an important contribution to GroFin's brand value, we use an annual survey to gauge client satisfaction.

In 2020, the survey showed that **78% of respondents were "satisfied" or "highly satisfied" with GroFin**. This represents a 15% increase in overall satisfaction as reflected in positive feedback around support services, COVID-19 support, staff professionalism, consistent follow-ups, responsiveness, promptness, and understanding of client challenges.

The survey also showed that **GroFin's Net Promoter Score (NPS) is 32** – in line with the current international benchmark for the financial services sector. NPS measures clients' loyalty and satisfaction by comparing the number of customers who say they would recommend a company to others to the number of customers who would not. The survey showed that **81% of respondents would recommend GroFin** to a supplier, client, or fellow entrepreneur.

GENDER LENS INVESTING

MEDA helps GroFin staff to better understand women entrepreneurs

During the last quarter of 2020, GroFin made further progress in deliberately incorporating gender considerations throughout our operations and investment mandates. The Mennonite Economic Development Agency (MEDA) conducted online training sessions for GroFin staff to orientate and sensitise investment teams on gender equality and our gender lens investing (GLI) strategy. MEDA was contracted in 2019 to advise on the development and implementation of this strategy.

The training aimed to increase awareness of best practices in the gender lens investing field and helped staff to improve their understanding of women entrepreneurs' unique finance and technical assistance needs. This will help GroFin to improve the delivery of business support to both future and current women clients by learning more about the characteristics, behaviours, and motivations of women entrepreneurs.



"The training provided valuable guidance to the Iraqi investment team and comes at exactly the right time. Although the prevalence of women-owned businesses in southern Iraq is quite low, the north of the country boasts a much higher number of women entrepreneurs. It is very important that our team understands how to meet the needs of these businesses as we look to make new investments in the north."



Raed Adnan, Investment Executive, GroFin Iraq



GroFin, with the support of USAID through a gift from the American people, had to move quickly to adapt the existing NII programme in response to the even more urgent financing needs COVID-19 created among SMEs in the region.

GroFin’s partnerships and referral network on the ground also played an important role in the Programme’s success, with several applications triggered by referrals from the DAI/Takamul programme under USAID and through several contacts in Mosul.

The severe cashflow gaps many small businesses experienced meant that the GroFin team had to implement a fast-tracked application process despite the logistical and administrative difficulties caused by COVID-19 restrictions, including on movement. GroFin’s credit, legal, finance, and investment teams jointly reviewed the investment process and adopted a credit-lite approach to speed up implementation. This allowed the GroFin Iraq team to process a total of 40 applications.

At the end of 2020, NII had approved and disbursed relief loans to 21 businesses. This funding will enable them to sustain a total of 335 direct jobs. The Programme had disbursed USD 1.2m out of its USD 1.5m investment target. These businesses include four which are owned by women entrepreneurs. Another five were previously rebuilt from scratch after being completely demolished when northern Iraq was under the control of ISIS.

Beneficiaries Testimonials



La Dolce Vita Restaurant

After ISIS was expelled from northern Iraq, Shadi chose to return from Europe to establish her own restaurant in her home country. But when COVID-19 took hold in Iraq, she faced her biggest business challenge yet. See how this determined female business owner kept her dreams alive.



Mia Bella

Mia Bella was employing nine people and set to open a second branch in Mosul when the COVID-19 pandemic struck. Lockdown measures meant that Mia Bella had to remain closed for 75 days – generating no income. See how this woman-owned business survived the COVID crisis.

AL NAJJAR PLASTIC PIPES: NII COVID-19 SME SUPPORT PROGRAMME BENEFICIARY

Without the NII COVID-19 SME Support Programme, Munaf Mar’ee Al Najjar might have been forced to rebuild his business a second time. Al Najjar Plastic Pipes manufactures and fabricates plastic and rubber tubing and hoses used in the construction, agriculture, and other sectors.

Munaf had successfully shifted from importing to local production, only to see his factory destroyed during the military campaign to expel ISIS from northern Iraq.

Munaf rebuild Al Najjar from scratch after the liberation of Mosul, also providing employment to his four brothers. Then in 2020, the COVID-19 pandemic hit. The business was forced to close from mid-March to June, incurring large losses as a result.

Fortunately, Al Najjar received a relief loan of USD 60k from NII, allowing it to cover rent and salaries and to purchase raw materials to continue its operations. This has allowed the business to continue employing 14 people.

“ I feared that this will lead me to close my business and worried that I won’t be able to support my family anymore. The funding I received helped me to sustain my business and enhance its working capital.”

Munaf Mar’ee Al Najjar, owner of Al Najjar

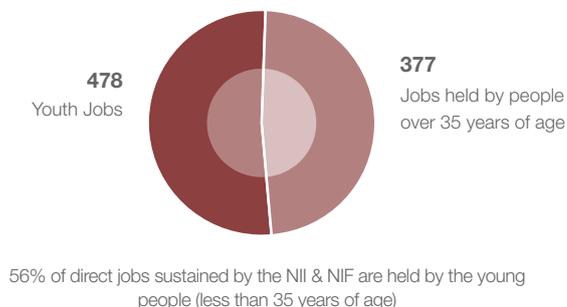


IMPACT

OVERVIEW

As at Q4 2020	NIF	NII
Total jobs sustained	670	510
Direct jobs sustained	498	381
Total livelihoods sustained	3,350	2,550
Direct jobs sustained per USD 1M disbursed	62	268

Empowering Youth Employment in Iraq



- During Q4, the NIF added 37 new direct jobs through an investment in a new client, while 1 existing client recorded a loss of 1 direct job. This resulted in a net increase of 36 jobs compared to Q3.
- During 2020, NIF investees recorded a net loss of 130 direct jobs due the COVID-19 pandemic. The highest job losses were by companies in the oil and gas, recreational, and engineering sectors. These sectors all suffered due the prolonged effects of the pandemic on the local economy.
- There were no staff on paid or unpaid leave at end of Q4, indicating that businesses had resumed normal operations.
- At the end of 2020, the NIF sustained a total of 498 direct jobs of which 50% are held by the youth and 56% by unskilled/semi-skilled workers.
- During Q4, NII invested in 6 new businesses that added a further 71 new direct jobs to that Fund. Its existing clients also created 10 new jobs. At the end of Q4 2020, NII sustained 381 direct jobs of which 27% are held by women, 64% by the youth, and 28% by unskilled/semi-skilled workers.

IMPACT MANAGEMENT

GROFIN BECOMES SIGNATORY TO IFC IMPACT PRINCIPLES

At the end of 2020, GroFin proudly became the latest signatory to the International Finance Corporation’s (IFC) Operating Principles for Impact Management.

The IFC developed the Impact Principles to provide a global standard and reference point for assessing the impact management systems of investment funds and institutions to bring greater rigour and transparency to the impact investing market. As a signatory, GroFin will be required to produce annual disclosure statements describing how each Principle is incorporated into its investment process and to carry out independent verification of its impact management and measurement system.

Brienne van der Walt, CEO of GroFin, says becoming a signatory publicly demonstrates and reinforces GroFin’s disciplined approach to achieving, measuring, and reporting on impact.



Brienne van der Walt
Chief Executive Officer



“GroFin was founded to be an agent of impact and recording how our investments improve lives and communities has always been an integral part of the commitment we make to our investors. We continuously seek to improve our impact measurement and management framework and to ensure that we adhere to international best practice. We view this as another important step on that journey.”



AL NIJOOD FOR GENERAL CONSTRUCTION - NII INVESTEE

Al Nijood is a construction contracting company which specialises in the construction and maintenance of roads and related civil works. Its operations include an asphalt production plant with a capacity of 80 tons per hour. Al Nijood was established in 1985 and has built a strong reputation as one of the leading civil contractors in Nineveh Province.

The business has been awarded an exclusive tender by the Nineveh Governorate to rehabilitate 35km of road – including 4 bridges – between the Gwer district and the city of Erbil. The project is valued at USD 15m and to be completed by the end of 2021. It was also recently awarded a contract by the Ministry of Housing and the Nineveh Governate to provide the asphalt and repave and widen 1,221km of road.

The business has managed to maintain good growth in sales and steady profit margins over the past two years – even in the face of COVID-19. However, the pandemic has caused delays in payment from some of its customers and this has placed pressure on Al Nijood’s cash flow.

Al Nijood is undergoing screening to receive USD 1.1m in financing from Northern Iraq Investments to be used as working capital and to purchase new construction equipment and vehicles to complete the projects mentioned above. The company currently employs 66 people but is projected to add another 56 workers if approved to receive financing.

