

FUND OVERVIEW

MESSAGE FROM THE CEO & CIO



Brienne van der Walt
Chief Executive Officer



Cobus Wells
Chief Investment Officer
for Africa

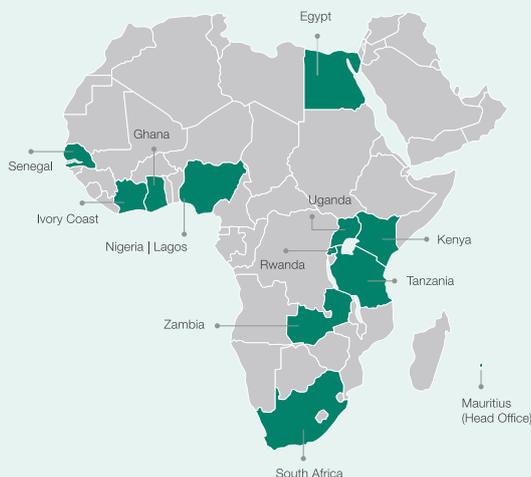
The continued recovery in the SGB Fund’s active client base is visible further down in this report. During Q2, only 30% of active clients were fully operational. This recovered to 53% in Q3, and at the end of 2020 has recovered to 84%. Even though these numbers exclude businesses where clients had to close their doors permanently it is still encouraging to notice this recovery. From a regional perspective, in Ghana the wholesale and retail sector – which dominates the Fund’s exposure there – seems to outperform all other sectors in recovery, while the hospitality industry still lags the most. In Egypt, the construction and trading sectors are also showing signs of sustained recovery, while the paper recycling and packaging sectors showing continued signs of distress, expected to prolong well into the future.

In Uganda, the health, manufacturing, and agricultural sectors are showing normalization, with most clients showing turnover higher than before the pandemic. The education portfolio is still struggling - none of the three schools have been able to pay from the school revenue as the number of students who were permitted to attend school since October 2020 are too low to sustain operations. Many parents opted to have their children retake the year when schools finally open and others opted for cheaper schools due to the impact of COVID-19 on their income. A change is expected from a recent government announcement for a gradual opening, admitting pre-candidate classes on 1st March and full reopening by 21st June 2021. In Kenya, the outlook is slightly more positive, with schools resuming at the start of 2021. Further south similar trends in recovery can be seen in manufacturing and healthcare in South Africa, with the education and tourism sector still suffering.

Overall, we are seeing a strong commitment from our entrepreneurs to resume their payment obligations - even those who have not yet recovered fully from the pandemic. They understand that their ability to sustain jobs and impact in their communities depend on their continued access to credit.

GEOGRAPHIC BREAKDOWN OF PORTFOLIO BALANCE

Total portfolio balance by country



COUNTRY	% OF PORTFOLIO (GROSS)
SOUTH AFRICA	10.0%
ZAMBIA	5.30%
TANZANIA	7.00%
RWANDA	10.8%
KENYA	14.5%
UGANDA	13.2%
EGYPT	17.1%
LAGOS	7.50%
GHANA	6.10%
IVORY COAST	6.80%
SENEGAL	1.70%
TOTAL	100%

PORTFOLIO

OVERVIEW

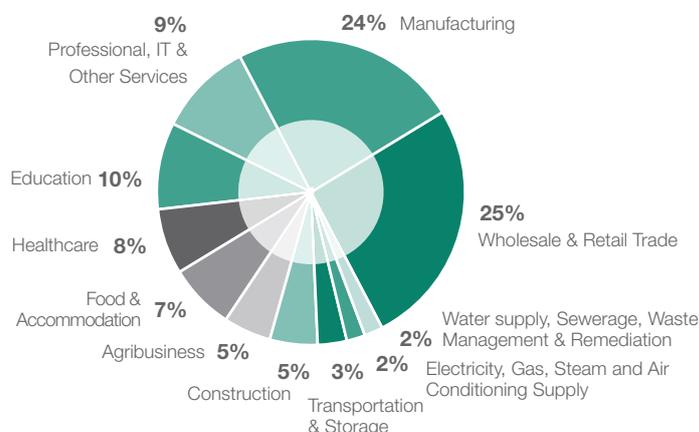
As at Q4 2020

SME disbursements.....	USD 122.7M
Total portfolio balance.....	USD 98.0M
SMEs invested in.....	219
GroFin offices across Africa.....	11

During Q4 2020

New SMEs invested in.....	1
SME disbursements.....	USD 1.05M

GroFin SGB Fund disbursement (%) by sector as at Q4 2020



IMPACT

OVERVIEW

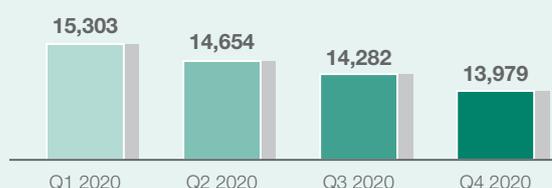
As at Q4 2020

Direct jobs sustained.....	13,979*
Total jobs sustained.....	42,710
Total livelihoods sustained.....	213,500
Direct jobs sustained per USD 1M disbursed.....	114

Include workers that have been sent on paid and unpaid leave during the lockdown period.

Impact of COVID-19 on Employment

Direct Jobs sustained Q1 2020 - Q4 2020



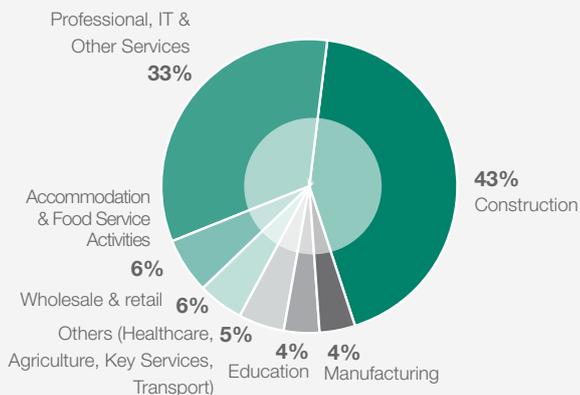
Net Direct Jobs Lost per Quarter - 2020



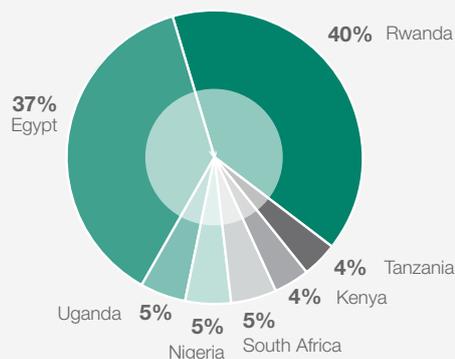
- During Q4, 470 direct jobs were lost at the level of 23 portfolio clients, while 20 investees recorded a combined increase of 167 new jobs. The Fund also invested in a new client during Q4 that sustained 7 direct jobs. As a result, the Fund recorded an overall net loss of 303 direct jobs during the quarter.
- The Fund has recorded a net loss of 1,938 direct jobs since Q4 2019 (12% decrease) with a combined net loss of 1,635 between Q1-Q3 and a further net loss of 303 jobs during Q4.
- Out of the 470 direct jobs lost, 278 jobs (59%) were lost at the level of one single client (Five Builders for Construction, Egypt) that operates within the construction sector. Due to the economic slowdown faced by the pandemic, the client experienced several delays in its projects and had to lay off 55% of its existing workforce (278 employees). It is expected that most of the staff that were laid off will resume employment once the economic outlook improves.
- Out of 1,938 jobs lost during 2020, 43% were jobs in the construction sector, 33% in professional and other services, 6% in food and accommodation, 6% in wholesale and retail, 4% in manufacturing, and 4% in the education sector.

IMPACT

% of Direct jobs lost per sector during 2020

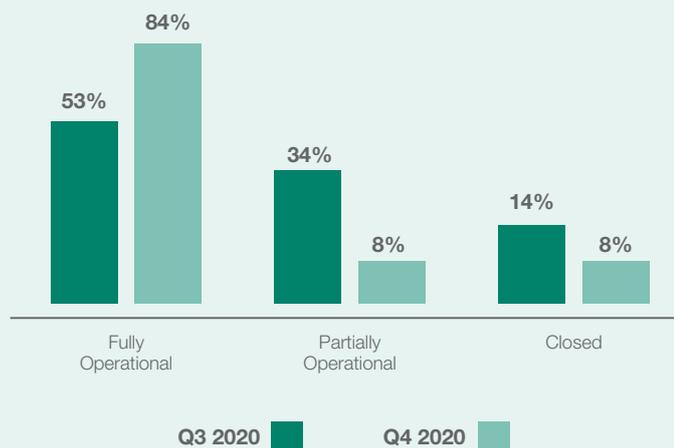


% Jobs lost by country during 2020

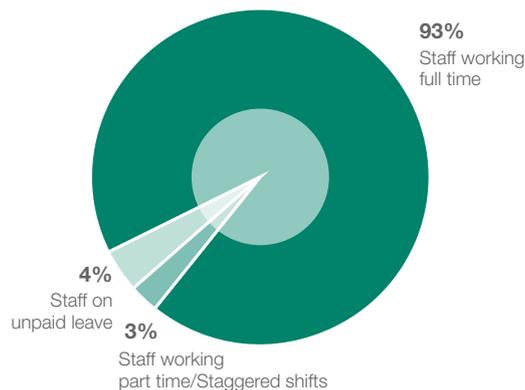


- A single client Rwanda Garden Landscaping, which provides professional security services, reduced its workforce by 583 employees during 2020 and one client in Egypt (Five Builders for Construction) accounted for the loss of 778 direct jobs during the year.

Status of active portfolio clients during Q3 2020 and Q4 2020



% Staff by employment status



Of the Fund's 109 active portfolio clients (i.e. excluding exits, write-offs, EDCs and Legal), 84% were fully operational in Q4 and 8% partially operational, while another 8% were closed. This indicates that business activities had nearly resumed to normal level during the quarter.

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.



“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.”



Brienne van der Walt
Chief Executive Officer, GroFin

BUSINESS SUPPORT

OVERVIEW

As at Q4 2020

Entrepreneurs who received pre-investment business support.....	2,335
Entrepreneurs who received post-investment business support.....	219

During Q4 2020

Entrepreneurs receiving pre-investment business support.....	10
Entrepreneurs receiving post-investment business support.....	109

During Q4, GroFin’s investment staff continued to support portfolio clients using our COVID-19 ESG Framework. These efforts lead to the following client outcomes:



97% of clients implemented measures to actively screen employees, clients and other stakeholders upon arrival at their business premises



100% of clients require employees to wear face masks and other adequate PPE at all times



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

FINANCIAL RELIEF

EcoPlastic, a recycling business in Rwanda, collects 88 tons of plastic waste every year and turns it into new plastic bags, tubing, and sheeting. GroFin provided EcoPlastic with financing to purchase modern production equipment and by the end of 2019, Habamungu Wenceslas, the entrepreneur behind EcoPlastic, had managed to grow sales by over 400% compared to its first years of trading.

Then COVID-19 struck. EcoPlastic was forced to close for two weeks and the impact of the pandemic on its customers saw sales plummet. It also became more difficult and costly to import raw materials. Luckily, the recycling part of the business does not require imported raw materials and could maintain production though at a lower level.

Although EcoPlastic's sales started picking up again from May 2020, expenses like electricity and salaries were placing a heavy burden on the business's reduced cashflow. KfW Investing for Employment GmbH (IFE) provided EcoPlastic with grant funding to help cover its key operational expenses, including salaries. EcoPlastic directly employs 54 people and supports another 35 who collect plastic waste.

GroFin also provided Habamungu with advice to ensure the business remains profitable. GroFin advised him to shift some production teams to work at night when electricity costs are lower and to focus on acquiring more local plastic waste as raw material rather than relying on imports.



“Instead of losing confidence, we continued to focus on marketing strategies and how we can expand our collection areas. It made me realise that even if we are in difficult times, we will resume and grow the company. I am very thankful to GroFin and its partners for assisting us. I am very happy, but I think my staff is happiest.”

Habamungu Wenceslas, owner of EcoPlastic

“I feel very lucky to have been able to keep my job at EcoPlastic despite the crisis. I am very happy and cannot explain the joy that I feel. There is hope.”

Nzeyimana Fidele, employee at EcoPlastic

GENDER LENS INVESTMENT

OVERVIEW

As at Q4 2020

Women-owned & managed** businesses financed.....	91
Disbursements in women-owned & managed** businesses.....	USD 44.4M
Women-owned* businesses financed.....	36
Disbursements towards women-owned* businesses.....	USD 14.6M
Direct women jobs sustained.....	4,627

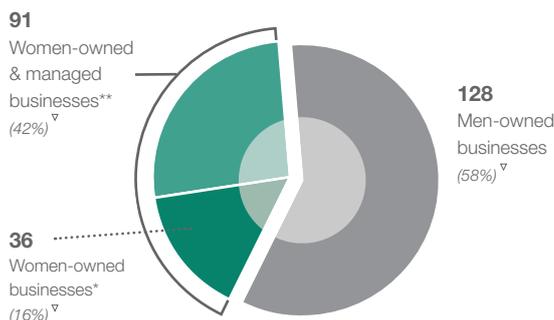
* Businesses with women holding ≥ 51% of shares.

** 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.

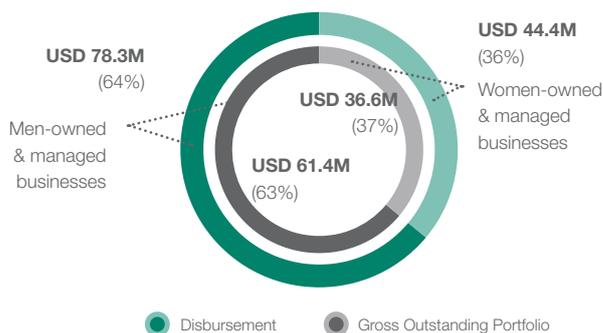


Composition of Investees by Gender

▽ % of investees in SGB portfolio



Disbursement & Gross Outstanding Portfolio



GENDER LENS TRAINING

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 in selected target countries. Staff also gained a better understanding of GroFin’s GLI strategy and policy, enhancing their ability to champion and implement it.



“This training 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.”

Marius Ittmann
Business Support Executive, GroFin

BENEFICIARY SPOTLIGHT

Digital X-Ray (Lagos, Nigeria)

Bello Moroofo has been working as administrative manager at Digital X-Ray for 13 years. This radiology centre employs 19 people, including 7 women. Bello not only works to support his wife and two children, but extended family members as well. This means that 10 people rely on him for financial support. He says keeping his job despite the COVID-19 pandemic made him feel financially secure.



“Many people that I know got infected. Some of my friends lost their jobs and some had to stay home without any pay for months. Keeping my job during this pandemic is very important and crucial to my family.”

Bello Moroofo, employee at Digital X-Ray