

FUND OVERVIEW

MESSAGE FROM THE CEO & CIO



Brienne van der Walt
Chief Executive Officer



Cobus Wells
Chief Investment Officer
for Africa

As the COVID-19 pandemic dragged on into its second year during Q2 2021, the SGB Fund's investees were still profoundly affected by its impact on the African economy. Alarmingly, the World Health Organisation (WHO) has warned that Africa is facing a fast-surging third wave of COVID-19 infections spreading more rapidly than before and at a time where the continent lags far behind the rest of the world in terms of vaccination rate. At the end of this quarter, the Fund has invested USD 123m and realised USD 83m or 68% of this amount. The unrealised portion (gross outstanding balance) is USD 91m with USD 30m being impaired, resulting in a net outstanding balance of USD 61m.

KfW grants covering operational relief and interest subsidies totalling EUR 3.0m have been approved to date for 27 clients in four SGB Fund countries. Grants totalling EUR 500k were disbursed in Q2 2021 for 15 clients. In general, the grants had the desired impact on the grantees with improved liquidity generally being noted for most of them. One of the grantees in Ivory Coast, an agro processor named Huileries et Savonnerie, started shedding jobs in 2020. Because of a EUR 61k grant from KfW, the company could retain its last remaining 23 staff. Annual sales for 2021 are now forecast to be 60% higher than in 2019.

Despite the challenges faced by investees, the Fund continued to generate positive impact returns and 13 client businesses managed to

create a total of 289 new direct jobs. This resulted in a net increase of 117 direct jobs due to 14 clients which reported a total of 172 job losses.

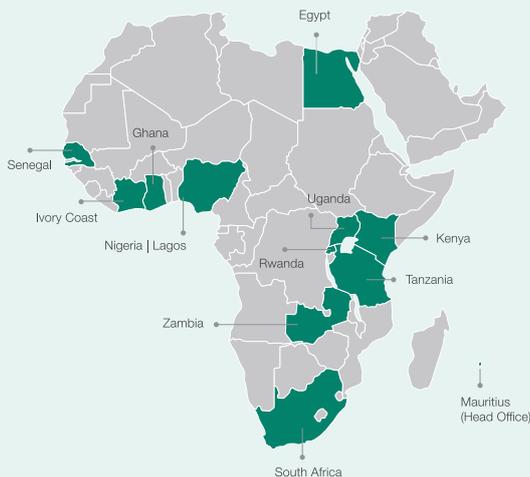
Most of the new jobs were created by Watervale Investments, a furniture and mattress manufacturer in Kenya. Watervale was one of the SGB investees that has received intensive business support over the past few months, including on cash flow management and digital marketing. During the pandemic, the business has seen total sales increase from 50% to 70% on its digital platform, and it is the subsequent higher demand for its products that led to additional hiring.

Watervale's experience highlights how valuable a greater focus on online marketing and sales can be to help small businesses like those funded by SGB to adapt to the challenging business environment the pandemic has created.

GroFin will continue to focus on coaching clients on the importance of adequate financial management and the review of key financial ratios to ensure proper cash flow management, as well as with one-on-one marketing training sessions to assist clients in switching to digital or multi-channel strategies. Our goal is to support these entrepreneurs to adapt to what remains a difficult period for small businesses in Africa to ensure the survival of their businesses and the jobs they sustain.

GEOGRAPHIC BREAKDOWN OF PORTFOLIO BALANCE

Total portfolio balance by country



COUNTRY	% OF PORTFOLIO (GROSS)
SOUTH AFRICA	10.4%
ZAMBIA	5.1%
TANZANIA	7.7%
RWANDA	9.5%
KENYA	13.6%
UGANDA	14.1%
EGYPT	17.0%
LAGOS	7.5%
GHANA	6.1%
IVORY COAST	6.8%
SENEGAL	1.7%
TOTAL	100%

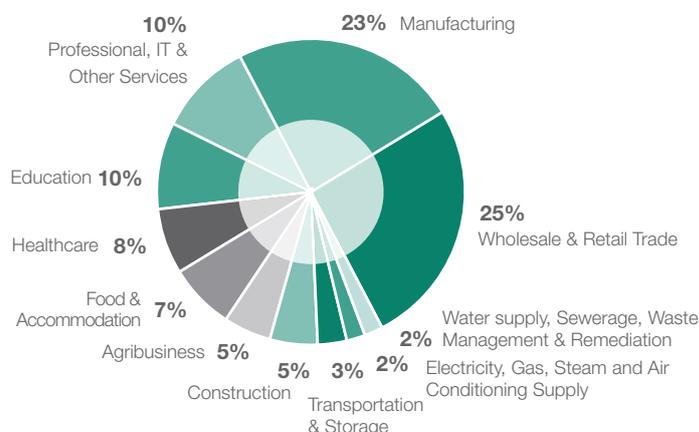
PORTFOLIO

OVERVIEW

As at Q2 2021

SME disbursements.....	USD 123M
Total portfolio balance.....	USD 91.6M
SMEs invested in.....	219
GroFin offices across Africa.....	11

GroFin SGB Fund disbursement (%) by sector as at Q2 2021



IMPACT

OVERVIEW

As at Q2 2021

Direct jobs sustained.....	13,884
Total jobs sustained.....	42,740
Total livelihoods sustained.....	213,700
Direct jobs sustained per USD 1M disbursed.....	112.8

Note on revised direct jobs sustained numbers for Q4 2020* and Q1 2021*:

- The previously reported number of direct jobs sustained in Q4 2020 and Q1 2021 has been revised downwards by 347 after a review to determine the employment outcomes among businesses that were handed over for legal collection. The review determined whether these companies were still operating or if they had downsized their activities and workforce.
- The Q4 2020 and Q1 2021 editions of this report represented the most recent job numbers captured, without always being able to consider the operational status of the investees. In most cases when clients move to legal collections, there is a breakdown in their relationship and communication with the Fund's investment staff. This makes capturing the latest job numbers and other impact metrics very challenging. It should also be noted that before a client is handed over for legal collection, a decline in employment is noted in almost all cases from the time the client is classified as UPI: Unviable until there is a breakdown in communication between the client and investment staff. As such, the numbers reported for these clients were the most recent captured while they were still communicating with our investment managers.

IMPACT OF COVID-19 ON EMPLOYMENT

Direct Jobs sustained: Q3 2020 - Q2 2021

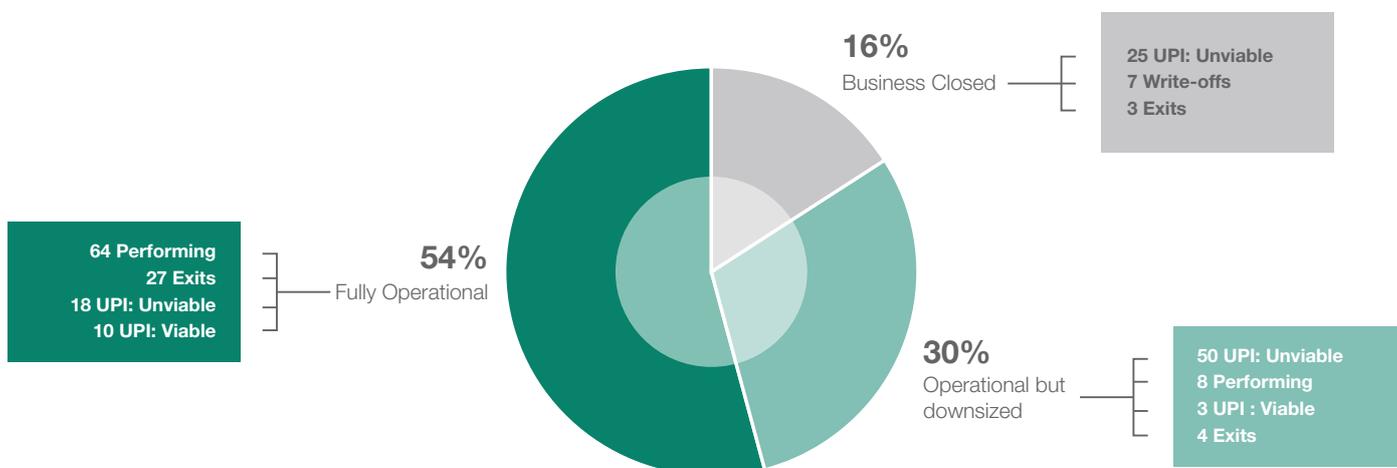


Net change in direct jobs: Q3 2020 - Q2 2021



- Fund to date, 35 investees (16% of investees), including 24 EDCs and 11 write-offs, had ceased to operate by the end of Q2 2021. Where clients were written off, no jobs were reported. On the EDC clients, 234 jobs were over-reported before. The Q2 reports reflect the correct (adjusted) employment numbers.
- There were also 65 investees (30% of portfolio), including 50 listed as UPI: Unviable, which were still operating but had downsized, representing 113 jobs that were over-reported.

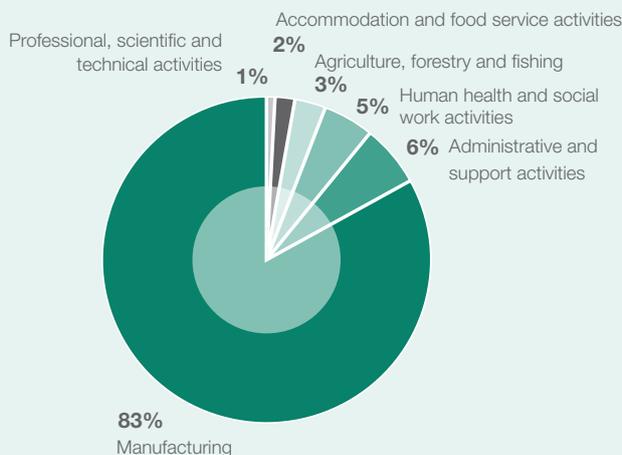
SGB Investees by operational status - Q2 2021



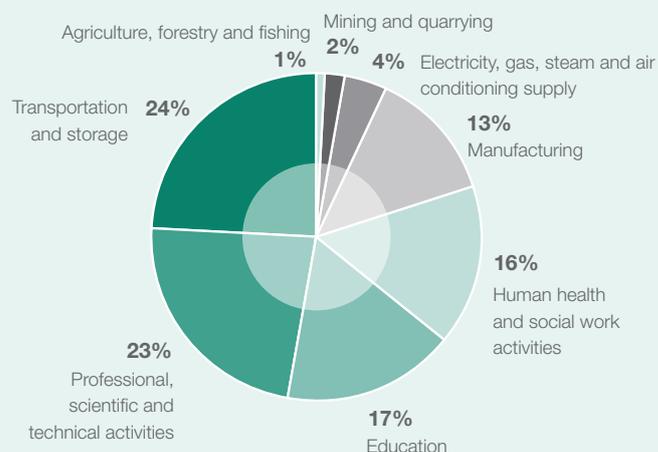
Q2 2021 Impact Highlights

- At the end of Q2 2021, the World Health Organisation (WHO) has warned that Africa is facing a fast-surging third wave of COVID-19 infections spreading more rapidly than before, and the number of cases is projected to overtake the peak of the second wave the continent experienced at the start of 2021.
- Even though major progress has been made with COVID-19 vaccinations, there remains a serious imbalance in the global distribution of vaccines. As a result, Africa only has enough vaccines for less than 1% of the continent's population.
- During Q2, several SGB countries – namely South Africa, Rwanda, Kenya, Ghana, Nigeria, and Uganda - reported surges in the number of COVID-19 cases. These countries responded by reinstating lockdowns, curfews, and other restrictions at different intervals. By the end of Q2, some of these regions had seen a decrease in new cases and had relaxed certain lockdown restrictions.
- The reinstatement of lockdowns and the eventual relaxation of these measures produced a mixed bag of employment outcomes for the Fund's investees at the end of Q2. However, the Fund maintained its overall resilience, building on the positive growth in jobs experienced in Q1, and recorded net positive growth of 117 new direct jobs during Q2.
- During the quarter, over 90% of the Fund's active portfolio companies were operational and 13 clients reported the creation of 289 new direct jobs. Watervale Investments, a mattress and furniture manufacturing in Kenya, created 146 of these jobs. Most of these new jobs are seasonal positions which are expected to become permanent as the company introduces a new production line in the near future. The company was also one of the investees that received intensive COVID-19 support over the past few months in terms of cash flow management, digital marketing training, and COVID-19 infection control measures. Watervale has been able to grow sales via its digital platform from 50% of totals sales pre-COVID to 70% of sales during the pandemic. As a result, the company has experienced higher demand for its products and employed additional workers. It is also working with additional small businesses to supply the business with raw material. The company currently sustains 361 direct jobs, of which 314 (87%) are held by the youth.
- Most of the other 12 clients that created 143 new jobs operate in the manufacturing sector and the rest in healthcare, professional services, and agribusiness. These clients are in Kenya, Rwanda, and South Africa and indicate that businesses providing essential services during lockdowns could navigate economic slowdowns better and a few others were able to pick up economic activity once lockdown restrictions were lifted.
- There were 14 investees that reported a total loss of 172 direct jobs. The bulk of these job losses were at five clients in the transportation, education, healthcare, manufacturing, and professional services sectors. These businesses are in Zambia, South Africa, Ivory Coast, Nigeria, and Rwanda.

Job created by sector Q2 2021



Direct jobs lost by sector Q2 2021



- Nine investees placed a total of 116 employees on paid leave (receiving between 50% and 100% of their salaries) during Q2. In addition, 111 employees working at four client businesses were on unpaid leave. This figure represents jobs at risk of being lost if these businesses remain in further distress in the upcoming quarters.
- At the end of Q2 2021, the Fund sustained 13,884 direct jobs of which 4,474 (32%) are held by women, 6,196 (44%) are held by the youth, and 8,809 are held by unskilled/semi-skilled workers. Cumulatively, the Fund sustains 112.8 direct jobs per USD 1m disbursed.

BUSINESS SUPPORT

GroFin provides ongoing digital marketing coaching to clients

GroFin marketing team carried out 12 digital marketing training sessions focused on employing social media marketing and website SEO to improve SGB clients' online business visibility. Three of these sessions were follow-up calls with clients who already had a first round of training. Their improved business visibility warranted further guidance on digital marketing tactics to drive more qualified prospects to their business, and to help their marketing personnel understand the importance of marketing analytics data to measure levels of success or failure. The marketing function has to date carried out 38 digital marketing training sessions with clients, 27 of these were with SGB clients. The marketing function also provided two SGB clients with extensive support in brand and logo development.



BUSINESS SUPPORT

OVERVIEW

As at Q2 2021

Entrepreneurs who received pre-investment business support.....	2,336
Entrepreneurs who received post-investment business support.....	219

During Q2 2021

Entrepreneurs receiving pre-investment business support.....	0
Entrepreneurs receiving post-investment business support.....	98

GENDER LENS INVESTMENT

OVERVIEW

As at Q2 2021

Women-owned & managed** businesses financed.....	91
Disbursements in women-owned & managed** businesses.....	USD 44.6M
Women-owned* businesses financed.....	36
Disbursements towards women-owned* businesses.....	USD 14.6M
Direct women jobs sustained.....	4,474

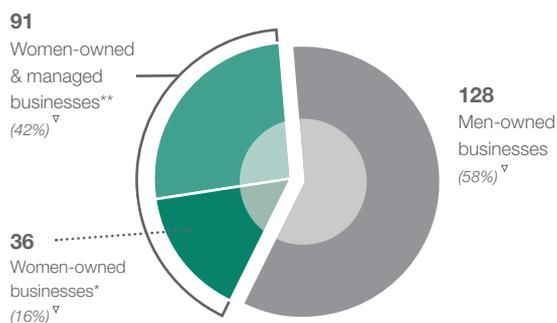
* Businesses with women holding ≥ 51% of shares.

** 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.

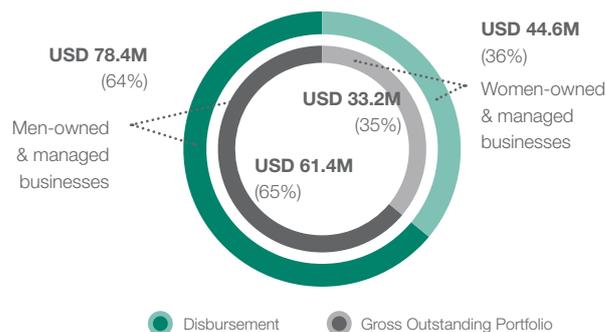


Composition of Investees by Gender

▽ % of investees in SGB portfolio



Disbursement & Gross Outstanding Portfolio



INVESTEE SPOTLIGHT

All Lite, South Africa

All Lite Investments is a specialist electro-coating and powder coating manufacturing business operating in the automotive industry. All Lite was formed in 2019, through a management buyout from a listed company. GroFin extended USD 939,697 in financing to the entrepreneur to finance this transaction and to expand the business.

However, later that year, the South African automotive industry suffered a downturn as tepid economic growth dragged new vehicle sales. All Lite's revenues declined significantly. GroFin provided All Lite with critical support to help ensure the survival of the business through advising the entrepreneur on how to reduce costs, downsize operations, and retrench unnecessary workers. GroFin also supported All Lite to look for new business outside the automotive industry and it won a new client which manufactures lawnmowers.

Last year, South Africa's strict COVID-19 lockdown measures forced All Lite to shut down for a month and thereafter it could only operate at 50% of its capacity. These operational restrictions – combined with unchanged fixed costs – forced many automotive manufactures to close for good. GroFin continued to support All Lite and implemented a 6-month moratorium on its loan repayments, providing the business with enough cash flow relief that it could continue operating.

When lockdown restrictions eased, All Lite's turnover and profitability were higher than before the pandemic as it could win new clients from failed competitors. As a result, it could reemploy some of the workers it had retrenched earlier and continues to sustain 27 jobs, including 7 held by women.

Unfortunately, the lingering impact of the pandemic has created constraints on the global supply of automotive parts. This has led to a slowdown in local manufacturing, which is still creating challenges for All Lite. GroFin is continuing to support the entrepreneur to further diversify All Lite's client base into other sectors.



“The decision to be patient and support the client has not only provided relief on the cash flow during the pandemic but has enabled sustainability, which resulted in additional client acquisition and growth in revenue and profitability.”



**Trevor Conradie, Investment Executive:
South Africa**