

FUND OVERVIEW

MESSAGE FROM THE CEO & CIO



Brienne van der Walt
Chief Executive Officer



Cobus Wells
Chief Investment Officer
for Africa

The severe impact of COVID-induced lockdown measures is visible not only in the SGB portfolio, but also throughout the economies where the Fund has invested. A clearer picture of the economic devastation is emerging as more and more data becomes available. A recent survey by the Nigerian Bureau of Statistics highlighted that a fifth of Nigeria’s workforce lost their jobs. In a country where the average household already spends 56% of income on food and where the consumer price index for food stands at 22% for 2021 (mostly due to Naira depreciation), millions more have been pushed into poverty.

From a business perspective the statistics are equally grim. Two thirds of businesses had to close during the pandemic, one in three enterprise owners interviewed reported knowing of a business similar to theirs having closed permanently, and 80% of enterprises reported decreased production.

In Uganda, an International Finance Corporation (IFC) survey showed that 90% of non-farm businesses reported full or partial losses, with an average turnover reduction of 49%. In Rwanda, firms laid off 25% of their workforce and experienced a 26% decline in turnover during 2020 vis-à-vis 2019.

These reports provide a bird’s eye view of the overall increase in suffering, poverty, unemployment, and business closures the pandemic has inflicted. It also reminds us of the critical need to renew our development efforts, and to support as many of the businesses still in operation to remain viable. Every business that

closes not only destroys all of its jobs, but also equates to a total write-off of capital and time invested, never to be regained.

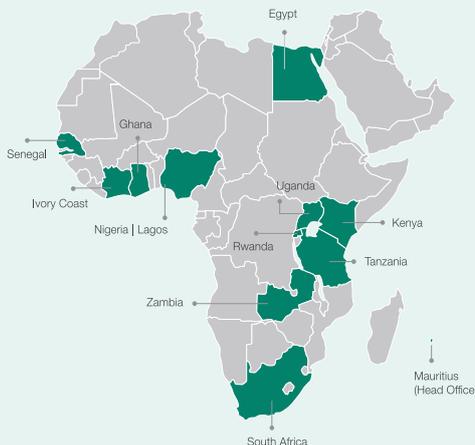
During Q3 the Fund’s investees continued to feel the impact of the economic slowdown induced by the pandemic. Thirteen investees reported an increase of 329 direct jobs as COVID-19 restrictions were relaxed in some countries, while 31 others found themselves in further distress and recorded a loss of 968 direct jobs. As a result, the Fund recorded a net loss of 639 direct jobs during Q3.

KfW grants covering operational relief and interest subsidies totalling EUR 3.1m have been approved to date for 27 clients in four SGB Fund countries. Grants totalling EUR 715k were disbursed to 18 clients. The grants mostly improved the liquidity position of grantees enabling some of them to ramp up their operations. Rwanda Garden and Landscaping, a grantee in Rwanda that mostly provides clients with security guards, was able to add 164 new employees to bring its staff number to 3,245 at the end of Q3 after receiving a grant of EUR 247k. The grantee needs a healthy liquidity position to be able to recruit more staff as there is typically a lag between paying salaries and receiving payments from clients.

GroFin is therefore maintaining our substantial increase of monitoring, advisory, and grant-allocation activities in the SGB portfolio which we implemented since the onset of the pandemic.

GEOGRAPHIC BREAKDOWN OF PORTFOLIO BALANCE

Total portfolio balance by country



COUNTRY	% OF PORTFOLIO (GROSS)
SOUTH AFRICA	9.3%
ZAMBIA	7.3%
TANZANIA	7.9%
RWANDA	9.8%
KENYA	13.1%
UGANDA	14.4%
EGYPT	16.1%
LAGOS	7.3%
GHANA	5.6%
IVORY COAST	6.8%
SENEGAL	1.8%
TOTAL	100%

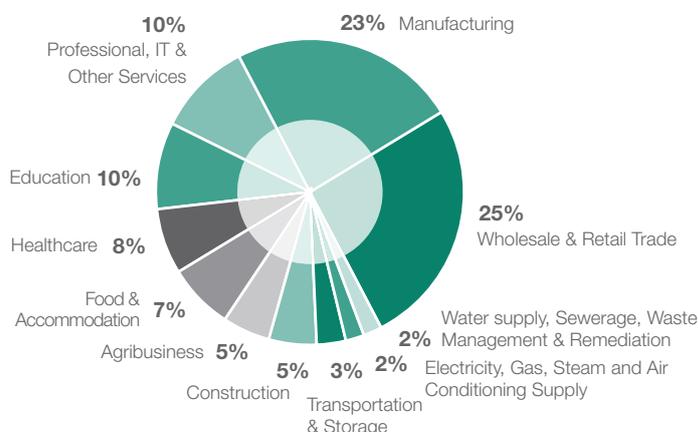
PORTFOLIO

OVERVIEW

As at Q3 2021

SME disbursements.....	USD 123.4M
Total portfolio balance.....	USD 86.9M
SMEs invested in.....	219
GroFin offices across Africa.....	11

GroFin SGB Fund disbursement (%) by sector as at Q3 2021



IMPACT

OVERVIEW

As at Q3 2021

Direct jobs sustained.....	13,245
Total jobs sustained.....	41,160
Total livelihoods sustained.....	205,800
Direct jobs sustained per USD 1M disbursed.....	107.4

Q3 2021 Impact Highlights

- The International Finance Corporation, in a study released earlier this year, reported that over 90% of MSMEs across sub-Saharan Africa are suffering harsh economic impacts due to the pandemic that has had a disparate impact on SME-dominant sectors, specifically in tourism, trade and services. The African Development Bank estimates that the pandemic has created a USD 420 billion financing gap for SMEs in Africa, given the intensified demand for liquidity support due to the limited cash reserves of SMEs.
- During Q3 2021, the evolution of the COVID-19 pandemic took on differing trajectories in the SGB Fund's operating countries. Kenya, Nigeria, Rwanda, South Africa, and Uganda experienced a surge in new infections and this resulted in nationwide curfews, localised and nationwide lockdown measures, prohibitions on public gatherings, and other measures restricting the movement of people. No curfews or lockdown measures were in place in Egypt, Ghana, Ivory Coast, Senegal, Tanzania, and Zambia. Restrictions on sanitary measures were eased and businesses were encouraged to resume normal operations in these countries.

IMPACT OF COVID-19 ON EMPLOYMENT

Direct jobs sustained: Q4 2020 - Q3 2021

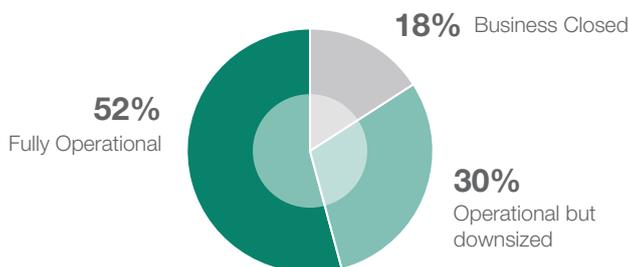


Net change in direct jobs: Q4 2020 - Q3 2021



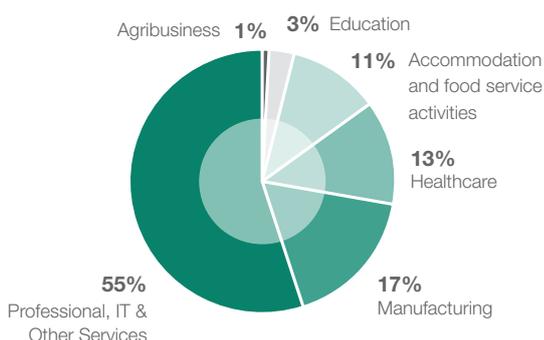
- During Q3, the Fund's investees continued to be negatively impacted from the economic slowdown induced by the pandemic. 13 investees reported an increase of 329 direct jobs as COVID-19 restrictions were relaxed in some countries, while 31 others found themselves in further distress and recorded a loss of 968 direct jobs. As a result, the Fund recorded a net loss of 639 direct jobs during Q3.

Operational status of SGB investees as at Q3 2021

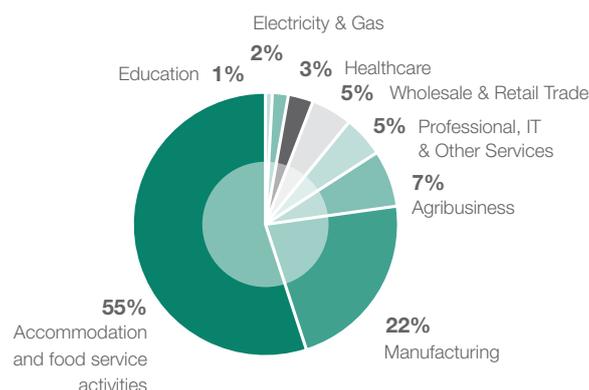


- During Q3, five additional investees closed their businesses, causing 158 direct job losses. These businesses operated in the retail, agribusiness, manufacturing, and healthcare sectors. Although fully operational during Q2 and Q3 2021, 14 investees had to reduce their workforce due to financial distress during the quarter, resulting in a loss of 116 direct jobs. Businesses operating in the manufacturing, services, educational, and retail sectors were hit hardest by these job losses.
- Thirteen clients that were partially operational during Q2, continued to struggle in Q3 and reported a loss of 694 direct jobs. This number includes 500 jobs lost by one client in Egypt that operated a chain of fast food outlets employing 1,000 people when it was fully operational. Job losses were noted in the construction, manufacturing, retail, agribusiness, and services sectors.
- On a positive note, 13 investees reported the creation of 329 new direct jobs as a result of the resumption of business activities and the relaxation of sanitary protocols. Nearly half of these new jobs were created by Rwanda Garden & Landscaping Services, which hired 164 new workers after securing new contracts. CODIPALM, based in Ivory Coast, was able to start operations of its second factory and hired 56 new workers after receiving its second loan from the SGB Fund earlier this year. An increase in jobs was noted in sectors such as manufacturing, healthcare, and education mostly among investees in Rwanda, Ivory Coast, Nigeria, Senegal, and South Africa.
- As at the end of Q3 2021, the Fund sustained 13,245 direct jobs, of which 3,867 (29%) are held by women, 7,918 (60%) by the youth, and 9,106 (69%) by unskilled/semi-skilled workers. Cumulatively, the Fund sustains 107.4 jobs per USD 1m disbursed.

Jobs created by sector Q3 2021



Direct jobs lost by sector Q3 2021



- There were 114 investees (52% of portfolio) that were fully operational during the quarter. This included 13 deals listed in EDC; 41 performing; 34 rehabilitated, restructured or in workout; and 26 exits.
- Sixty-five investees (30% of the portfolio) had downsized their operations and were operating at reduced capacity at the end of Q3. This included 50 deals listed in EDC, 9 exits or write-offs, and 6 performing clients.
- Forty investees (18% of the portfolio) had stopped their operations as at the end of Q3 2021. Nineteen of these clients were deals in EDC, 14 as write-offs, 1 in workout, and 6 exits.

BUSINESS SUPPORT

OVERVIEW

As at Q3 2021

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

During Q3 2021

Entrepreneurs receiving pre-investment business support.....	0
Entrepreneurs receiving post-investment business support.....	84

Kenyan schools grow student numbers after marketing training

Education was one of the sectors in the SGB Fund portfolio most severely affected by COVID-19 restrictions. When Kenyan schools were ordered to close in March 2020, Twiddle Pips Junior School and Kinderville Junior School, both located in Nairobi, saw drastic declines in their income. Although both schools offered online learning, they could only collect a small portion of their regular school fees. GroFin supported Twiddle Pips and Kinderville by reviewing the online presence of both businesses and conducting one-on-one training sessions with the entrepreneurs to improve their social media marketing efforts.

While Twiddle Pips already struggled to grow its student numbers before the onset of the pandemic, the school saw a significant increase of 80% in its student number from 150 to 270 in the seven months since implementing the recommendations made during the training. This growth means that the school can now comfortably meet its monthly instalments to GroFin and no longer need to rely on other means to supplement its income and cash flow.

Based on GroFin’s assessment and advice, Kinderville revamped its website and increased the visibility of its brand on all social media platforms after completing the training. As a result, online enquiries increased significantly and led to 44 new enrolments in the first school term of 2021.



Kinderville



Twiddle Pips

“Let me extend our appreciation to GroFin for the support we have been receiving. The training on social media marketing was insightful. Based on the few changes we made as per your suggestion, we have witnessed a hundred-fold increase in traffic to the [school’s] Facebook page.”



George Ochieng, owner of Twiddle Pips

GENDER LENS INVESTMENT

OVERVIEW

As at Q3 2021

Women-owned & managed** businesses financed.....	91
Disbursements in women-owned & managed** businesses.....	USD 44.7M
Women-owned* businesses financed.....	36
Disbursements towards women-owned* businesses.....	USD 14.6M
Direct women jobs sustained.....	3,867

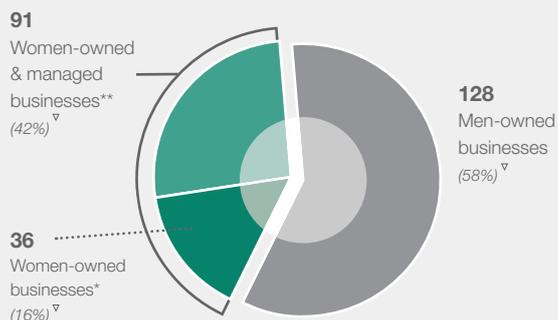
* Businesses with women holding ≥ 51% of shares.

** 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.

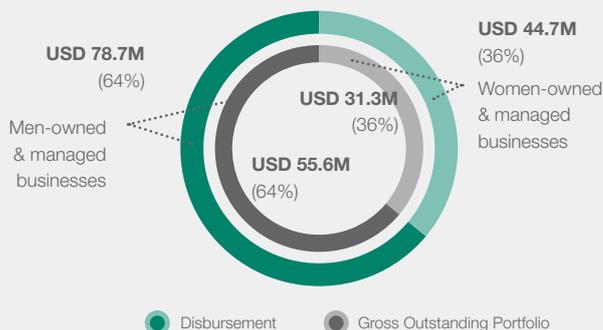


Composition of Investees by Gender

▽ % of investees in SGB portfolio



Disbursement & Gross Outstanding Portfolio



GroFin shares insights on serving women entrepreneurs at MEDA Symposium

Brienne van der Walt, GroFin CEO, shared our approach to supporting women entrepreneurs at the virtual MEDA (Mennonite Economic Development Associates) Symposium, entitled Financing Women Entrepreneurs in East Africa: Opportunities and Challenges. Brienne shared some of the insights GroFin has gained through supporting the women entrepreneurs in the SGB Fund's portfolio. This includes the preference among women business owners to receive advice and support through building close long-term relationships with financiers or mentors.



“My advice to WSGBs is to become familiar with the finance and capital available on the market, so you are aware of your options and the pros and cons of each. And believe in yourself and your business. If you are looking for financing to grow your business, then clearly you have done something right.”

Brienne van der Walt
GroFin CEO



INVESTEE SPOTLIGHT

Grover Medicals & Diagnostic

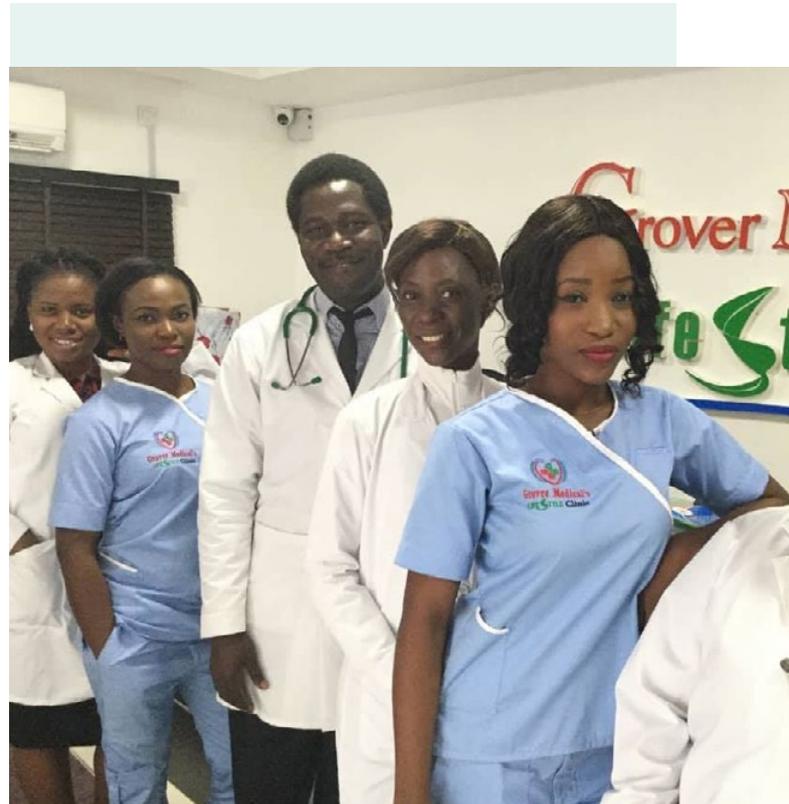
Grover Medicals & Diagnostic is a private hospital in Lagos, Nigeria. The hospital has a network of specialists in fields like oncology and obstetrics and boasts labour rooms, operating theatres, and an intensive care unit. It has a clinical laboratory and can provide diagnostic procedures like ultrasounds and ECGs.

The USD 149,724 in financing Grover received from the SGB Fund in 2019 was critical in enabling the business to expand from a medical centre to the fully equipped hospital it is today. The funds were used to purchase medical equipment such as a dialysis machine and haematology instruments. Grover was able to move into a larger building and to engage a resident gynaecologist and two other specialist surgeons.

Although COVID-19 severely affected footfall to the hospital and dragged down revenues in 2020, it has since recovered. The hospital was also able to establish a molecular laboratory for PCR COVID-19 tests and was registered by the Lagos State government for COVID-19 treatments.

GroFin’s business support to Grover included regular reviews of its management accounts, which revealed several fixed cost items missing. The business can now prepare these accounts with minimal errors. We also provided the entrepreneur with advice on cashflow management during the pandemic, as well as marketing training to help improve Grover’s online marketing efforts.

The SGB Fund provided Grover with a 4-month repayment moratorium during the pandemic. The business has since been able to fully repay its loan and to make a successful early exit from the Fund with an IRR of 29%. It currently employs 45 people, compared to 24 when it first received financing.



“Apart from the financial support, GroFin gave us a lot of moral support. They did not give up on us like the other financial institutions. They are dynamic and always think with us. They saw what our challenge was and were willing to try other solutions.”

Chief Anil Grover
founder of Grover Medicals

