OUR MODEL

GroFin’s business model is based on our commitment to provide our clients support beyond finance. This means that we take an integrated product and service approach which provides entrepreneurs with medium-term risk finance, as well as ongoing pre- and post-investment business development assistance.

A deep understanding of the factors that drive SME success is central to this model, as is the steadfast belief that SME success leads to impact success.

WHY WE EXIST

Small and medium-sized enterprises make up the lion’s share of the private sector in developing countries and are a key driver of both economic and social development. However, despite the SME sector’s capacity to provide employment and support multiple livelihoods, these businesses are prone to high failure rates: as many as 70 – 90% do not survive past their fifth year of operations.

Banks and other institutional investors are reluctant to invest in these businesses, dooming them to the so-called ‘missing middle’ where they are considered too big for micro-finance, too small for private equity funds, and too risky for traditional security-based lenders.

GroFin was established with the objective to provide a unique solution of finance and support to SMEs in the missing middle to transform them into formalised and sustainable businesses that support employment and thus create lasting impact.

WHO WE ARE

GroFin is a pioneering private development finance institution specialising in the finance and support of small and growing businesses (SGBs). Our investments and business support help to generate employment, strengthen value chains, and develop markets to bring about inclusive growth and improved living conditions in the low- and middle-income countries where we operate.

Since our inception in 2004, we have established a wide network of local offices in 15 countries throughout Africa and the Middle East. Our SME investments number over 700 and have sustained over 90,900 total jobs across several sectors and industries, namely: healthcare, education, agribusiness, manufacturing, key services (water, waste & energy), food & accommodation, construction, wholesale & retail, and professional services.

We have the support of 34 international development finance institutions, development organisations, foundations, large companies and private funders with committed funding of nearly US$ 500 million.

OUR VISION

We aim to be the leading financial services institution to entrepreneurs of successful small to medium-sized enterprises – a reputable organisation that everyone wants to be associated with, do business with and refer clients to, due to our best in-sector performance.

OUR MISSION

Serving the underserved entrepreneurs in the small and growing business sector with risk capital and business support, helping them to realise their full business potential and deliver quantifiable social and economic development impact.

OUR PURPOSE

GroFin’s purpose is to develop a scalable, replicable and sustainable business model for the SME missing middle. Through developing successful SMEs at scale, GroFin aims to create jobs and measurable impact in line with Sustainable Development Goal 8: Decent work and economic growth.

THE SEVEN CAPITALS

- **Financial Capital**
- **Social & Relational Capital**
- **Human Capital**
- **Intellectual Capital**
- **Infrastructure Capital**
- **Natural Capital**
- **GroFin Value Creation Framework**

**OUR FUNDS**

- GroFin Small and Growing Businesses (SGB) Fund
- Nomou Programme
- Nomou Jordan Fund (NJF)
- Nomou Iraq Fund (NIF)
- Nomou Oman Fund (NOF)
- Aspire Small Business Fund (ASBF)
- Aspire Growth Fund (AGF)

**OUR VISION**

We aim to be the leading financial services institution to entrepreneurs of successful small to medium-sized enterprises – a reputable organisation that everyone wants to be associated with, do business with and refer clients to, due to our best in-sector performance.

**OUR MISSION**

Serving the underserved entrepreneurs in the small and growing business sector with risk capital and business support, helping them to realise their full business potential and deliver quantifiable social and economic development impact.

**OUR PURPOSE**

GroFin’s purpose is to develop a scalable, replicable and sustainable business model for the SME missing middle. Through developing successful SMEs at scale, GroFin aims to create jobs and measurable impact in line with Sustainable Development Goal 8: Decent work and economic growth.

**Queenswood, South Africa  
SGB Fund Investee**

**CONTENTS**

- About GroFin
- Foreword
- Board of Directors
- 2018 Highlights
- GroFin Value Creation Framework
- Strategy
- Financial Capital
- Social & Relational Capital
- Intellectual Capital
- Human Capital
- Infrastructure Capital
- Natural Capital
- Risk Management
- Corporate Governance
- Investment & Impact at a Glance
- Performance
- Sustainable Development Goals
- How GroFin Measures Impact

**GroFin Integrated Report 2018**

www.grofin.com
The real deal

Famous rock musician and philanthropist Bono once remarked that impact investing is an excuse for good people doing bad deals. We would argue that GroFin is about good people doing real deals.

Since 2004, we have made small, viability-based investments in a total of 708 businesses operating in some of the most difficult parts of the world. The macro-economic and political shocks that unfortunately happen so often in emerging markets have a disproportionate impact on local SME businesses. As a result, the small business world is littered with failures. In this challenging environment, GroFin provides hands-on support to local entrepreneurs as they navigate the many pitfalls on their path to sustainable growth. These deals might not hit the headlines or generate “alpha returns”. But they do deliver real impact alongside positive financial returns. Fortunately, investors increasingly recognise that impact investing has many flavours and nuances with each asset class carrying its own risk, return, and impact profile. This calls for a blended finance approach, such as the one GroFin adopted five years ago.

In 2018, we continued to focus on several strategic priorities. First and foremost, we strive to achieve best-in-sector financial and impact returns in our funds under management. Our impact returns during the year were strong with significant capital invested in our priority sectors: education, health, agri-processing, manufacturing, and key services (water, electricity, waste). We have chosen these sectors because of their strong impact potential, as well as their solid economic fundamentals. During 2018, our portfolio companies added 2,070 jobs.

Despite the repayment challenges which are inherent to our target market, local currency returns remained in line with expectations. On the downside, forex movements had a negative impact on US-dollar returns as the South African Rand, Zambian Kwacha and Nigeria Naira lost significant value. Forex risk remains a key value destroyer in our markets.

Our investment activities slowed down compared to the previous year. This was partly as a result of worsening economic conditions in some of our key markets such as South Africa, Nigeria, and Jordan and partly due to delayed fundraising. In our experience, it can take up to two years to onboard new commitments. We expect investment to accelerate in 2019 on the back of additional capital commitments and a more conducive investment environment.

We expanded our operational network in French-speaking West Africa with the opening of our 16th office in Senegal at the end of 2017. Though a small market, we are excited about the opportunity it presents. For example, our first investment involves a new tertiary institution that provides much-needed training to aspiring dentists from across the region. Another interesting transaction is a women-led catering business that provides daily meals to large corporate clients. Our choice to enter Senegal with its euro-linked currency also forms part of our strategy to hedge against forex risk.

A second key priority is to grow our funds under management to drive operational efficiency. We significantly scaled our funds in the Middle East in 2018. Soros Economic Development Fund made a sizeable capital commitment to our Nomou Jordan Fund, recognising that the Fund supports many refugee-owned businesses. They also provided a grant to increase our outreach into the refugee community and especially to Syrians who fled the civil war in their country. USAID committed further capital to our operations in Iraq with a specific focus on supporting minority communities in the north of the country, which is still recovering from its occupation by ISIS. Our experience in the south of Iraq shows that there are good investment opportunities in post-conflict countries, even though the operating environment is challenging from both a risk and cost point of view.

Lastly, we continued to invest in our staff and in our operational backbone. We rolled out several training programmes with the support of our capacity development partner, African Management Initiative. Our annual staff engagement survey confirms that our employee value proposition remains strong, though retention remains a key risk in highly competitive markets for local talent. Having said that, we are proud to see former GroFin staff leveraging their experience and expertise in other impact-oriented organisations. In 2018, we also made significant investments in our IT infrastructure, enabling us to mine our data set more effectively and improve reporting efficiency. With the support of our long-standing partner and co-founder Shell Foundation, we ran a pilot project to consider blockchain technology but concluded that the user case is not strong enough yet for us to adopt it.

In 2019, we will continue to focus our investments in our key priority sectors, aiming to invest US$ 47 million in 80-100 transactions. With support from our investor partners and a specialist consultant, we will implement our GroWoman gender lens investment strategy. Our goal is to substantially increase the percentage of women-owned/led businesses in our portfolio. Another priority area is a thorough review of our business support programme, including the way we measure and report outcomes. Our newly appointed CIO, Brienne van der Walt, will lead this effort. We will also roll out E-scan, an innovative entrepreneur coaching tool that gives insights into key entrepreneurial strengths and weaknesses. Our overall objective is to reduce SME failure and investment risk.

Funding will continue in 2019, especially for the evergreen GroFin SGB Fund which has fully invested its original commitments at the end of 2018. We have developed a healthy pipeline of new and existing investors that we expect to onboard. This will enable us to scale up investment activities in 2019. Furthermore, we will open an office in Erbil, northern Iraq and establish a local GroFin team to service that market. We will also expand the Nomou Jordan team to accelerate investment activities in Jordan with a new focus on the smaller end of the market. Lastly, initiated by KfW – one of our key investment partners – we will explore the feasibility of setting up an investment fund in Somalia.

In conclusion, we are as passionate as ever about leading the field of small business finance in emerging markets, doing real deals and making a significant impact in the lives of the entrepreneurs we support, as well as the communities they serve.
2018 HIGHLIGHTS

Partnership with Mastercard Foundation on US$ 50M youth employment initiative

GroFin joined the Mastercard Foundation’s Hanga Ahazaza initiative to help catalyse investment and extend business development support to small and growing businesses in the tourism and hospitality sector in Rwanda. This five-year, US$ 50 million initiative is focused on relieving poverty by increasing employment opportunities in hospitality and tourism for young people.

GroFin opens its 16th office as we expand to Senegal

GroFin furthered its expansion into Francophone West Africa through opening an office in Senegal. The Senegalese office brings GroFin’s footprint to a total of 16 offices, located in 15 countries across Africa and the Middle East.

GroFin maintains excellent client satisfaction rate

In September 2018, GroFin carried out its annual online client satisfaction survey among its portfolio clients. Our efforts to help SMEs thrive have resulted in a consistent client satisfaction rate of nearly 80%.

Soros Economic Development Fund commits US$ 8M to GroFin’s Nomou Jordan Fund

The Open Society Foundations, via its Soros Economic Development Fund, committed US$ 8 million to GroFin’s Nomou Jordan Fund. Over the next two years the Nomou Jordan Fund will deploy at least US$ 5 million in additional capital to SMEs owned by, or employing refugees in the country. GroFin will also provide these SMEs with business support at both the pre- and post-finance stages.

GroFin honoured with two prestigious awards

In 2018, GroFin took home two noteworthy awards: We received the Finance for the Future Award in the Building Sustainable Financial Products category. We also won the Islamic Economy Award in the SME Development category. GroFin also received a special mention from the Global SME Finance Awards, in the Production Innovation of the Year category.

We also won the Islamic Economy Award in the SME Development category. GroFin also received a special mention from the Global SME Finance Awards, in the Production Innovation of the Year category.

William Morkel (middle), GroFin Chief Financial Officer, accepted GroFin’s Finance for the Future Award at a ceremony in London.

Mohamed Hawary (second left), GroFin Regional Investment Director: Middle East and North Africa, accepted the Islamic Economy Award at a ceremony in Dubai.
GROFIN VALUE CREATION FRAMEWORK

**INPUT**
- Leveraged capital
- Leveraged grants

**BUSINESS PROCESS**
- Economic value-add
- Indirect employment
- Local value chains enriched
- Access to goods & services
- Women empowerment

**OUTPUT**
- Impact-driven capital & grants
- Strong equity base (GroFin)
- Capital preservation & realistic returns
- Return on equity
- Return on equity

**OUTCOME**
- Indirect employment
- Local value chains enriched
- Access to goods & services
- Women empowerment

**IMPACT**
- Industry best practice
- Innovation

---

**Risks & Opportunities**

**Governance**

**FINANCIAL**
- Impact-driven capital & grants
- Strong equity base (GroFin)

**SOCIAL & RELATIONAL**
- Long-standing relationships with clients, investors and partners
- SME ecosystem

**INTELLECTUAL**
- Viability-based finance methodology
- Unique business support offering

**HUMAN**
- Professional and skilled staff
- Culture of excellence
- Mission-driven, value-based culture

**INFRASTRUCTURE**
- Local office network, close to market
- Central IST backbone

**NATURAL**
- ESG policies and management system
- Environmentally conscious travel policy

---

**Advancement of SDGs**

**GroFin Integrated Solution**

**Strategy & Resource Allocation**

**Performance**

**Return on Investment**

**Impact Investment in SGBs**

**Business Support Outcomes**

**www.grofin.com**

GroFin Integrated Report 2018
At the core of GroFin’s strategy is the delivery of a commercially orientated, integrated solution of risk finance and value-adding business support to address the medium-term finance needs of small and growing businesses (SGBs) in the sub US$ 1.5 million market segment.

No business can be separated from the economic context within which it operates, but small businesses are often most vulnerable to economic shocks or slowdowns. The macroeconomic environment our clients operate in is a key material matter to GroFin as it can have great influence on their ability to grow and even sustain their businesses.

Global trade and investment stalled in 2018. The recovery in the emerging economies within which GroFin operates lost momentum and the World Bank has warned that the outlook for the global economy remains dark in 2019. The bank cites the substantial strengthening of the U.S. dollar, weakening capital flows, heightened trade tensions, and moderating global manufacturing & trade as contributing to emerging market woes in 2018 – and likely going forward.

GroFin’s core competency and competitive advantage in successfully executing its strategy in this challenging environment is our proprietary credit risk and business development process. This process enables us to manage the complete range of business risks associated with small and growing businesses (SGBs) by accurately assessing both the ability of entrepreneurs and the commercial viability of their businesses. Our most valuable resource in this process is the great team of knowledgeable local professionals who are masters at deploying our credit risk and business support model to create successful SGBs at scale.

GroFin works to develop sustainable, permanent capital that can deliver the returns required by both sub-commercial development-orientated investors and commercial investors. The efficiency of our model and our ability to generate such returns derive from economies of scale which reduce the per unit cost of the support we provide to our clients, as well as the support functions our own business requires. These economies of scale include improving staff productivity through systematisation, standardisation and maintaining lean operations.

In order to achieve geographic scaling and institutional development, we engage philanthropic capital in support of our mission and purpose. This includes the use of philanthropic capital to support the development mission of our funds towards commercial maturity. This development funding is employed to support early year returns as well as to deliver a range of social outcomes.
It is an exciting time for development finance and investment. The global impact investment industry continues to grow and now holds over US$ 502 billion in impact assets under management, according to the Global Impact Investing Network. Development finance institutions account for 25% of this number.

The role of development finance remains key as new impact investors become more comfortable with what used to be unfamiliar territory. Blended finance – where development agencies, development finance institutions, and charitable foundations provide patient and risk-tolerant capital to mobilise more commercial, private sources of capital – is central to aligning public and private interests to scale impact.

GroFin is well-positioned within this landscape. GroFin’s strategy is to mobilise impact-oriented investment capital to invest in viable, high-risk small businesses. We target risk-adjusted commercial returns at local currency portfolio level and realistic single-digit USD returns at fund level. Client realisations are recycled into new transactions. Business support grants enable us to invest skills and knowledge in entrepreneurs, resulting in sustainable, formalised and bankable businesses that sustain employment. We aim to minimise the cost to sustain and create jobs.

Leading up to 2014, we developed a new generation of funds designed as permanent capital vehicles that provide long-term solutions to our clients and encompass ‘blended finance’ capital structures. This blended finance approach uses first-loss capital to mitigate underlying credit and foreign exchange risk – which is inherent to the profile and geographies of our portfolio. This allows us to attract investors who are otherwise sensitive to the risk and relative returns of this segment. Looking back, we were a leader in the ‘blended finance’ pack.

But this environment is not without its challenges: the roles and expectations of impact investors, including development finance institutions, are not yet clearly defined and this requires coordination and negotiation to ensure alignment. Different investors and donors have different priorities in terms of the instruments, geography, themes, and sectors they wish to invest in. This requires innovation and agility in our response to opportunities as we seek to remain true to our raison d’être. GroFin sees opportunity within these challenges. We are excited to see continued interest in our mission to help small and growing businesses fulfill their potential.

Overview: Investor Landscape

GroFin is well-positioned within this landscape. GroFin’s strategy is to mobilise impact-oriented investment capital to invest in viable, high-risk small businesses. We target risk-adjusted commercial returns at local currency portfolio level and realistic single-digit USD returns at fund level. Client realisations are recycled into new transactions. Business support grants enable us to invest skills and knowledge in entrepreneurs, resulting in sustainable, formalised and bankable businesses that sustain employment. We aim to minimise the cost to sustain and create jobs.

Leading up to 2014, we developed a new generation of funds designed as permanent capital vehicles that provide long-term solutions to our clients and encompass ‘blended finance’ capital structures. This blended finance approach uses first-loss capital to mitigate underlying credit and foreign exchange risk – which is inherent to the profile and geographies of our portfolio. This allows us to attract investors who are otherwise sensitive to the risk and relative returns of this segment. Looking back, we were a leader in the ‘blended finance’ pack.

But this environment is not without its challenges: the roles and expectations of impact investors, including development finance institutions, are not yet clearly defined and this requires coordination and negotiation to ensure alignment. Different investors and donors have different priorities in terms of the instruments, geography, themes, and sectors they wish to invest in. This requires innovation and agility in our response to opportunities as we seek to remain true to our raison d’être. GroFin sees opportunity within these challenges. We are excited to see continued interest in our mission to help small and growing businesses fulfill their potential.

34 Total number of external investors

GroFin is well-positioned within this landscape. GroFin’s strategy is to mobilise impact-oriented investment capital to invest in viable, high-risk small businesses. We target risk-adjusted commercial returns at local currency portfolio level and realistic single-digit USD returns at fund level. Client realisations are recycled into new transactions. Business support grants enable us to invest skills and knowledge in entrepreneurs, resulting in sustainable, formalised and bankable businesses that sustain employment. We aim to minimise the cost to sustain and create jobs.

Leading up to 2014, we developed a new generation of funds designed as permanent capital vehicles that provide long-term solutions to our clients and encompass ‘blended finance’ capital structures. This blended finance approach uses first-loss capital to mitigate underlying credit and foreign exchange risk – which is inherent to the profile and geographies of our portfolio. This allows us to attract investors who are otherwise sensitive to the risk and relative returns of this segment. Looking back, we were a leader in the ‘blended finance’ pack.

But this environment is not without its challenges: the roles and expectations of impact investors, including development finance institutions, are not yet clearly defined and this requires coordination and negotiation to ensure alignment. Different investors and donors have different priorities in terms of the instruments, geography, themes, and sectors they wish to invest in. This requires innovation and agility in our response to opportunities as we seek to remain true to our raison d’être. GroFin sees opportunity within these challenges. We are excited to see continued interest in our mission to help small and growing businesses fulfill their potential.
GroFin’s reputation in the international developmental finance sector and our relationships with its key players are crucial to our ability to raise capital and, therefore, the viability of our business. We regularly attend industry events and utilise our membership of industry organisations such as the Global Impact Investing Network (GIIN), the Aspen Network of Development Entrepreneurs (ANDE), and the International Trade Centre (ITC) to engage current and potential investors.

GroFin is committed to consistent and transparent communication with our investors through regular reporting on both the financial performance of our funds as well as the impact our investments generate. GroFin’s investors are also represented on the Advisory Committees of our funds and take part in regular fund management meetings.

Our partnerships with organisations such as PUM, Medical Credit Fund, EY, and the Cherie Blair Foundation allow GroFin to give our clients access to additional support, mentorship, capacity building programmes, and wider networks. Our relationships with intermediaries contribute to deal generation and identifying entrepreneurs who match GroFin’s investment criteria.

We engage current and potential partners and intermediaries through our membership of industry organisations and by attending or hosting industry events. Gwen Abiola-Oloke, GroFin Investment Director – West Africa, is on the judging panel of the annual Shell LiveWire Top Ten Innovators competition.

We engage the impact investment industry through participating in knowledge sharing events and contributing data and insights to forums and research projects. In 2018, GroFin contributed to research projects and surveys lead by Deloitte, GIIN & Symbiotics, and the Global Development Incubator.

GroFin partners with organisations focused on empowering women entrepreneurs. We are currently partnering with the Vital Voices Global Partnership and the International Trade Centre (ITC) in their SheTrades Invest initiative. Guido Boysen, GroFin CEO, also served as a judge in the 2018 SheTrades Investment Challenge, a global competition for women entrepreneurs.

Regular engagement, with and among our employees, is crucial to fostering a cohesive organisational culture across diverse geographies and cultures. GroFin makes use of internal communication channels such as our intranet, webinars, and our internal social media channels to communicate with clients and showcase their successes.

GroFin is committed to seeking feedback from our clients on our service and practices. We conduct an annual client satisfaction survey and rely on client focus groups in each of our country offices to gather more detailed insights. Clients can also give us further feedback via our website.

GroFin’s business activities are focused on developing entrepreneurs but our ultimate impact is felt most profoundly in the communities where our clients operate. We, therefore, regard communities as an important stakeholder in GroFin.

Our clients often operate in communities which are poor, lacking job opportunities, and are underserved by other businesses. We focus our investments on sectors like education and healthcare which provide these communities with crucial services, or sectors like manufacturing which create a substantial number of jobs, for unskilled workers especially. Through supporting SGBs, GroFin helps to create jobs and sustain livelihoods where it is most needed.
GROFIN STEP - Success Through Effective Partnerships

GroFin’s model of support beyond finance is at the core of our value proposition to our clients and investors. It not only ensures that our clients derive greater value from their relationship with GroFin but is also crucial to optimising financial and impact returns.

Our close engagement with our clients also contributes to GroFin’s body of knowledge about supporting and investing in SMEs. We ensure that the lessons we learn from each transaction we conclude are recorded, fed back to our investment team, and leveraged to improve our investment process and advice to clients. Through analysing both our successful and failed transactions and sharing the insights we gain with our staff and clients, GroFin can adapt to changing market conditions and improve the financial and impact outcomes we generate.

The insights we drew from our experience in supporting more than 8,800 entrepreneurs to grow their businesses also underpin GroFin STEP (Success Through Effective Partnerships), the internally-developed programme our investment managers use to roll out business support to our clients. GroFin’s investment process and business support offering are also strengthened by our team of industry experts who have in-depth knowledge based on extensive experience in our sectors of focus. We provide pre-finance business support to potential clients even before they are approved to receive financing. Most businesses that approach GroFin are not investment-ready and often do not have a robust business plan in place. As a result, they often apply for too much or too little funding. During GroFin’s application process, we assist entrepreneurs in strengthening their business plans through developing accurate financial models and identifying risks and opportunities.

When clients do receive financing, GroFin works with them to implement an agreed-upon business support action plan. We help them to develop functional expertise and to implement best practice in areas such as finance, human resources, operations, and marketing. We also assist clients in formalising their small businesses, succession planning, achieving regulatory compliance as well as on adhering to ESG and health & safety standards. Our investment managers understand the local economic environment their clients operate in and are certified by the Association of Accredited Small Business Consultants (AASBC®) as SME consultants.

Business Support Spotlight

Saboba, Jordan
Nomou Jordan Fund Investee

Al-Mutamayeza for Frozen Food Trading, which trades under the name Saboba, is a Jordanian wholesaler distributing high-quality frozen and processed meat and poultry products. The business support and financing it received from GroFin – through the Nomou Jordan Fund – helped Saboba to expand into new geographical regions in Jordan, venture into new market segments, and diversify its product range.

Saboba first approached GroFin in 2013 to finance the purchase of additional inventory. GroFin supported Saboba in the formalisation of its business plan and financial projections, equipping its two co-owners to better identify areas of improvement. As Saboba grew, GroFin continued to work closely with them to optimise the business’s product range and pricing, as well as its brand positioning. GroFin provided valuable insights into the importance of formal market studies to determine customer needs and evaluate competitors. These studies prompted Saboba to reprice several of its products and to replace others to capitalise on the gaps identified in the market.

GroFin encouraged Saboba to explore new markets and in 2015 it provided the business with additional financing to introduce a new range of products targeting hotels, restaurants and catering companies. GroFin advised Saboba to diversify its product range even further and subsequently provided it with additional financing to acquire the right to distribute a global brand of powdered milk and other dairy products in Jordan.

“GroFin’s financial and business support resulted in extending our geographical coverage and increasing our number of products from 12 to 25. We hired new employees and grew our sales by over 15% annually,” says Raed Saboba, co-owner of the business.
Our Viability-based Approach

GroFin’s primary investment decision is based on the ability and viability of the entrepreneur as this is a key determinant in making the business successful. This is established through evaluating the entrepreneur’s track record, commitment, and character. GroFin also considers factors like the entrepreneur’s involvement in and own material contribution to the business and his or her skills and experience in the sector.

We then evaluate the viability of the business and finally assess the investment risk. The viability of the business is based on many elements and the structure of the deal is determined by the actual and projected cash flow of the business, to ensure affordability and allow the business to grow.

The characteristics of the entrepreneur and business viability determine the viability risk and therefore how likely the business is to succeed and repay, where investment risk (available security) determines the potential loss associated with the investment. GroFin considers viability risk in its decision to proceed with an investment and evaluates investments risk to determine pricing.

To further support this viability-based approach, GroFin is implementing a new entrepreneur assessment tool (E-Scan) that will create self-awareness and allow for a thorough understanding of the competencies of the entrepreneurs to allow us to provide them with tailored business support.

GroFin Credit Risk Management

GroFin has a robust Credit Risk Management and Investment framework based on best practice, portfolio analysis and lessons learned. This framework is adapted to ensure practical application and effective risk mitigation across our different markets. GroFin’s business support strategy also ensures that we continuously review and support our clients, which significantly contributes to mitigating credit risk.

Our sound credit granting process is based on well-defined criteria and a thorough understanding of the borrower. It makes use of clearly established processes and controls for approving new credits, as well as for the amendment, renewal and re-financing of existing credits. This process includes independent reviews of investment proposals, making investment decisions based on viability and structuring transactions based on client cash-flow to ensure affordability.

An independent Credit Function allows for appropriate controls throughout deal development and deal implementation and ensures effective monitoring. Each month GroFin’s Credit and Collection committees conduct independent reviews of the quality of country portfolios and agree on actions to address key risks. Credit Measuring and Monitoring is also characterised by an effective credit rating system as well as accurate classification and provisioning for loan losses.

Establishing and maintaining GroFin’s brand as an innovative and credible developmental financier is crucial to attracting and retaining investors, as well as high quality entrepreneurs as clients. GroFin’s existing clients are a significant source of new deals, which necessitates that we maintain and improve the strong brand loyalty they already exhibit.

GroFin makes use of a targeted marketing approach and our efforts to strengthen our brand is therefore focused on reaching the key group of investors, partners and potential clients we wish to engage with. We do this through engaging with key industry bodies, hosting targeted SME events and showcasing GroFin’s expertise – in both the SME and impact investing sectors – on our social media platforms and relevant local and international media outlets.

GroFin’s ability to accurately measure and track the impact of our investments through job creation and sustaining livelihoods forms a key part of our brand promise to our investors. The ability to effectively communicate this impact through reports such as our annual reports, as well as through channels such as traditional and social media, forms an important part of our efforts to establish and strengthen the GroFin brand.

GroFin’s brand value heavily relies on how our clients experience our service. In order to ensure that we continuously work towards improving our standards of service and our relationship with our customers, GroFin has committed to adhere to a Customer Charter. This Charter outlines the principles guiding all our interactions with our customers as well as the standards of service we promise to maintain. It is based upon the principles of Reliability, Assurance, Tangibility, Empathy and Responsiveness (RATER) model.

We measure our success in adhering to these principles through an annual client satisfaction survey. In 2018 the survey revealed that 87% of clients are ‘satisfied’ to ‘highly satisfied’ with their relationship with GroFin so far and 80% of them would recommend GroFin to a supplier, client, or fellow entrepreneur.

Awards won by GroFin in 2018

GroFin’s SME development model has gained international recognition and has received numerous awards. During 2018, we were honoured with the following accolades:

- GroFin won the Building Sustainable Financial Products category in the Finance for the Future Awards. The Awards recognise finance functions driving sustainable economies and are run by the Institute of Chartered Accountants in England & Wales and the Prince’s Accounting for Sustainability Project, with their partner Deloitte.
- GroFin was the winner of the SME Development category in 2018’s Islamic Economy Awards. These annual awards recognise innovative world-class business initiatives and ideas that have contributed to the social and economic welfare of the Muslim population. The Awards were launched in 2013 under the patronage of the Prime Minister of the United Arab Emirates and the Crown Prince of Dubai and are managed independently by Thomson Reuters.
- The GroFin Small and Growing Businesses (SGB) Fund received an honourable mention at the Global SME Finance Awards in the Product Innovation of the Year category. The Awards recognise outstanding achievements of financial institutions and fintech companies, in delivering exceptional products and services to their SME clients and are endorsed by the Global Partnership for Financial Inclusion.
Mohamed Darwish is one of the estimated 1.5 million Syrian refugees presently living in Jordan. His family may have escaped the death and destruction of war when they fled from Aleppo in Syria, but building a new life is not easy.

The influx of refugees from Syria has placed considerable strain on Jordan’s struggling economy. According to the United Nations High Commissioner for Refugees (UNHCR), most Syrian refugee families in Jordan have limited access to sustainable livelihood options and 76% of them cannot afford basic needs such as food, housing and education.

As part of its efforts to address this, the Jordanian government issued approximately 45,000 work permits to Syrian refugees during 2018. “The most important thing about work is to be able to do something useful and secondly we can help to support our families. We don’t want to predict the future, but we hope it will get better,” Darwish says.

With close to a third of Jordan’s private sector labour force employed by SMEs, the sector has a crucial role to play in addressing the refugee crisis. Around 20% of the workforce at GroFin client Arabella for Aluminium, where Darwish works, are Syrians. Located just a few kilometres away from the Zaatari Refugee Camp in the Governate of Irbid, Arabella offers a rare employment opportunity at a decent wage to both Syrians and local workers.

Arabella specialises in aluminum extrusion, fabrication, decoration, and surface treatment & coating. In 2015, GroFin provided the company with financing to purchase equipment and complete infrastructure work at its new production site. But only a few months after it started operations, an unexpected halt in production could easily have seen the business fail.

When cracks appeared in three of the company’s extrusion press containers – which are crucial to its production process – it had no choice but to halt operations. Two of the containers were shipped to Thailand for repairs and while the third was repaired locally, the process still took several months.

Arabella was soon unable to meet its obligations to GroFin and would have defaulted under a traditional financing framework – likely forfeiting its assets and going under. GroFin’s model provides room to adapt its financing to the needs of the client and it was able to devise an alternative payment plan to allow Arabella to overcome this difficult period.

Wael Sunna, Investment Manager at GroFin Jordan, says small and medium-sized businesses are extremely vulnerable to shocks and the ability to overcome such unexpected setbacks is key to their survival. “Not all business support is about increasing sales and revenue. It is also about helping the client to survive and overcome tough times,” Sunna explains.

GroFin has also provided Arabella with further advice to improve its cash flow through negotiating better payment terms with suppliers and improving collections from clients through shorter payment terms. In 2017, GroFin provided the company with additional funding needed to boost its stock of aluminum pellets to meet higher demand for its products.

With GroFin’s support, Arabella has been able to continuously increase its production and sales. At the end of 2018, the company employed 84 workers, compared to 49 a year before. Arabella continues to grow and is expanding its production facilities even further through the addition of a new furnace for processing scrap aluminum.

Mr. Sobhi Al Zubi, the entrepreneur behind Arabella, says he will never forget GroFin’s support and loyalty to his business. “GroFin became our partner when banks refused our loan applications. In the beginning we were short of experience, but we found all the support we needed in GroFin. They were there to help us with everything from planning to marketing and sales,” he says.

Sobhi says perseverance and determination were crucial to his success. “I am always positive, despite the setbacks. I always keep looking forward – never back. You have to feel successful on the inside, then even people who start from nothing can become successful.”

“GroFin became our partner when banks refused our loan applications. We were short of experience, but we found all the support we needed in GroFin. They were there to help us with everything from planning to marketing and sales.”
Sobhi Al Zubi, founder of Arabella for Aluminium
GroFin is a unique company so we need unique people. Our employees are at the center of our ability to implement our model of success beyond finance. We recruit, onboard, develop and retain world class investment and support teams. We believe in a robust selection process, ensuring that people with the right mindset, values and competencies join and stay with GroFin. We are looking for people who are committed to making a difference, deploying capital with a purpose. We train our staff hard but support light, giving our local teams autonomy to customise our model to serve the local market effectively. We recognise and reward performance. This means that our people are one of GroFin’s key stakeholders. Our ability to attract and retain skilled, experienced and connected team members is crucial to enabling GroFin to achieve our strategic objectives.

Our Values

We display honesty, fairness and integrity in the way we conduct our business. This requires us to always do the right thing.

We support innovation and risk-taking, which is an essential part of our ability to succeed in an ever changing and increasingly competitive marketplace.

We love what we do. We support entrepreneurs to run successful businesses.

We are proud to produce work of quality. We use all our energy, skills and resources to deliver great value for our customers and clients.

We are determined to leave things better than we found them. We strive to improve the way we operate as an organisation and the impact we have on society.

Our People

GroFin’s dynamic approach to business is reflected in our passion to create a positive impact on entrepreneurs. We thrive on the success of entrepreneurs and the sustainable development attained through their businesses. Our staff believes in and is passionate about these goals and committed to their role in improving the livelihoods of the people in the communities where we operate. They take pride and find a sense of fulfillment in creating a direct impact on these livelihoods and communities. They want to be at the forefront of global social and economic change. This requires a unique skill set, a mission-aligned passion. Our people-centric work environment helps employees grow and develop as our organisation evolves. As a leading company, we help employee develop and apply their individual strengths. We celebrate outstanding performance by awarding and recognising high performers while promoting work-life balance.

Gender and diversity

GroFin treats its employees with respect, encourage them to take initiative, and value their individual differences. Our inclusive workforce provides an empowering environment with due opportunities for women to advance in their career.

Our local staff has strong local networks for lead generation and experience in advising small businesses with regards to the challenges of their local economic context. We believe that local talent acquisition helps us better meet our business objectives, while our workforce diversity allows us to broaden our industry knowledge base.
Training and development

GroFin is committed to the professional development of our people and invested US$ 146,000 in training during 2018. GroFin also partnered with The African Management Initiative (AMI) for a Leadership Development Programme (LDP) and a Management Development Programme (MDP) for senior management and middle management, respectively. Both programmes were enabled through a series of in-person and virtual touchpoints, interspersed with online and project work that drive engagement and learning.

Other staff training programmes implemented

- **Udemy**
  - 91% active users
  - 553 training hours completed

- **Omega**
  - 94% of Investment & Credit Risk employees completed the Omega programme

- **Credit risk management training**
  - 100% Completion rate

- **AASBC**
  - 95% + of our investment team received Accredited SME Consultant (ASMEC) certification from AASBC
GroFin believes that SMEs can only be supported effectively by local teams on the ground. Our investment staff needs to be accessible to entrepreneurs who face many obstacles as they grow their business.

We have been operating in Africa since our inception in 2004 and first established a presence in the Middle East in 2007. We continuously consider potential markets to expand our footprint further and most recently opened an office in Senegal at the end of 2017. From an investment perspective, this wide footprint allows GroFin to diversify country risk across our portfolio. It empowers us to attract a greater range of potential investors who wish to contribute to creating impact in either a specific country or as wide a range of countries as possible.

**INFRASTRUCTURE CAPITAL**

**GroFin’s Footprint**

GroFin believes that SMEs can only be supported effectively by local teams on the ground. Our investment staff needs to be accessible to entrepreneurs who face many obstacles as they grow their business.

The ability to provide quality business support to our clients forms an integral part of GroFin’s business model and investment strategy. In order to ensure that we can maintain the regular personal interaction with our clients that this requires, GroFin has invested in establishing a physical presence in all the markets that we operate in.

GroFin’s network of 15 offices in Africa and the Middle East enables us to remain close to our clients through regular meetings and site visits. We conduct quarterly reviews of their operations and business performance and can provide them with timely and insightful business support. Our office network also allows us to employ experienced local professionals who understand their home country’s economic and regulatory context and are always available to assist their clients.

**15 countries in Africa and the Middle East**

We have invested heavily in information technology infrastructure and connectivity to enable our teams to communicate and collaborate despite the distances between them. This means that each local office can benefit from the insights and experience of the greater GroFin team.

Information technology allows GroFin’s country offices to benefit from a range of centralised services rendered from our head office in Mauritius and service staff in South Africa. This centralisation, which includes the use of an online ERP system to manage our investment, finance and human resource functions as efficiently as possible – is key to realising the economies of scale and cost effectiveness that allows GroFin to operate across such a wide geographical area.

GroFin’s information technology systems also allow us to securely track, process, and report on the financial transactions we conduct with our clients as well as the data we collect on our impact. In 2018, we undertook a key project through the creation of a data warehouse to amalgamate data from our different business systems. The project, supported by Shell Foundation, eliminated the need to manually collate and update data for reporting purposes and resulted in great efficiency gains through reducing the time and resources devoted to reporting. GroFin continues to build on the project’s potential to develop data analysis tools which add value to our investment management process and can assist us in providing insightful and timely advice to our clients.

We successfully migrated from a physical data centre to now rely only on cloud computing, leveraging the strengths of Microsoft Azure. This also provides the effective and secure records management system which our credit risk, investment, and finance functions critically depend on.
Although GroFin is not directly engaged in an industry that heavily relies on resources from the natural environment, we are committed to helping our clients manage environmental risks in the respective sectors they operate in and to help them reduce their environmental footprint. GroFin’s investment criteria also strictly prohibit any transactions that contravene environmental law or supports business activities that lead to substantial environmental damage or pollution.

GroFin is also committed to minimising our own carbon footprint and the impact of our operations on the environment wherever possible. It is GroFin’s policy to limit air travel by making use of online platforms and video conferencing to communicate and conduct meetings between our teams who are located across a wide range of geographic regions.

Environmental, Social and Governance (ESG) risks are often seen to only concern large corporates, resulting in lax ESG practices by SMEs. GroFin understands that as small businesses grow, so do the ESG risks and opportunities they face. We assist our SME clients in identifying appropriate ESG best practices that can be fully integrated into their operations to generate economic value while mitigating environmental risk. We also promote ESG best practices that address occupational health and safety hazards and work to ensure that our clients comply with local legislation and operational requirements.

GroFin continues to refine its ESG investment integration strategy. Our proprietary ESG risk and opportunity screening methodology is aligned with industry best practices and guided by the standards laid out by the World Bank and International Finance Corporation (IFC). We make use of ESG specialists where necessary and ensure that our own staff complete in-house ESG training. Our client ESG ratings are updated annually with the goal to drive down risk at portfolio level through focused ESG management formalisation support tailored to each of our clients.

ESG at GroFin: Creating Value through Sustainability

GroFin believes incorporating Environmental, Social and Governance (ESG) considerations into our investment decisions and risk management approach not only helps our clients to build more sustainable businesses but also contributes to the sustainability of our own.

ESG refers to the three areas of concern which are central to measuring the sustainability and ethical impact of an investment. At GroFin, we are committed to a high standard of corporate responsibility. Consequently, industry best practice and assessing ESG risks and opportunities are integrated into our end-to-end investment process as follows:

- ESG risks and opportunities are formally assessed during investee screening and due diligence (pre-investment); and,
- ESG best practice for SGBs are integrated into the GroFin business support offering (post-investment)

GroFin’s ESG investment integration strategy ensures all our investees adhere to ESG practices which are integrated in their operations, mitigate environmental risks as well as occupational health & safety hazards, and ensure compliance with relevant local legislation and operational requirements.

GroFin ESG Performance as at end of 2018

- 100% Clients compliant with GroFin’s ESG Policy and Corporate Responsibility Undertaking
- 0% investments in prohibited/excluded activities – as per International Finance Corporation’s Exclusion List
- 100% Clients formalised on exit
The most influential role players in GroFin’s risk management framework are:

- **Board of Directors**
- **CEO & EXCO**
- **Risk Management Process**
- **Group Specialist Functions**
- **Group Finance**
- **Group Information Systems Technology**
- **Human Resources**
- **Group Legal**
- **Group Treasury**
- **Regulatory Compliance**
- **Internal Audit**

### Risk Management Principles

Risk management in GroFin is guided through these principles:

- Assignment of appropriate responsibility and accountability
- Framework for integrated risk management
- Protection of our reputation
- Risk assessment and measurement
- Independent review

### Risk Management Culture

GroFin sustains a world-class risk management culture based on the following elements:

- The GroFin value system.
- An integrated, holistic risk management approach to decision-making.
- Proactive risk management with equal attention to quantifiable and unquantifiable risks.
- A risk awareness culture, inculcated through risk-adjusted performance measures.
- Disciplined and effective risk management processes and controls and adherence to standards and limits.
- Compliance with relevant statutory, regulatory and supervisory requirements.

### Risk Management Philosophy

Risk management is fundamental to GroFin’s business and crucial to sustaining its long-term growth and reputation. GroFin is exposed to a variety of risks including credit, operational, strategic, and reputational risk and managing these risks form part of GroFin’s core capabilities.

GroFin is committed to applying international best practice and standards to risk management. Our risk philosophy is underpinned by the objective of shareholder value creation through sustainable, profitable growth, in a manner that is consistent with shareholders’ expectations of our risk-bearing capacity and risk appetite.

GroFin’s risk management approach is that all risks must be identified and managed and returns must be commensurate with the risks taken, relative to our risk appetite. It is everyone’s responsibility, within GroFin, to identify themselves with the company’s declared priority of risk management and to recognise real or anticipated risks and take appropriate action to address them.

### Risk Management Structure

Corporate Governance

Governance refers to the way the leadership and management of GroFin are organised to maximise value for all stakeholders. Risk governance refers to the approach that seeks to balance the demand for entrepreneurship, control, and transparency while supporting GroFin’s objectives through efficient decision-making.

- **Board of Directors**
- **CEO & EXCO**
- **Risk Management Process**
- **Group Specialist Functions**
- **Regulatory Compliance**
- **Internal Audit**

- **Board Committees**
- **Group Exco**
- **Risk management and risk control departments**

Board of Directors

- The Board of Directors is appointed by and accountable to GroFin’s shareholders to lead, control and monitor the business and provide effective corporate governance.
- The CEO is appointed by the board and assisted by the Executive Committee (Exco) to manage GroFin’s business within an acceptable risk profile and achieve sustainable profits. The CEO and Exco’s main responsibilities include overseeing risk processes at executive level, ensuring risk management and policies are approved and implemented, ensuring risk is considered in long-term plans and regularly reporting on risk to the board.
- The Risk Management Function ensures an integrated and effective risk management framework is established. It consists of GroFin’s Internal Audit and Regulatory Compliance departments which are responsible for risk integration across the business.
- GroFin’s operating model is designed to obtain maximum operational efficiency from several shared services and specialist functions play an important role in assisting with risk management.
Agasaro, Rwanda

Woman entrepreneur lifts local farmers out of poverty

Agasaro helps local community to add value to their produce

While Agasaro’s sales were increasing steadily, inadequate packaging equipment was limiting its ability to increase production. In 2017, a lack of packaging materials even started to impede sales growth.

Isabelle Uzamukunda, the owner and managing director of Agasaro, approached GroFin for working capital and to finance the purchase of new packaging machines to help address this shortage. As part of its business support offering, GroFin assisted Uzamukunda in the selection of appropriate packaging machines and helped her to review her business plan.

Uzamukunda says the financing and support she has received from GroFin has helped to increase Agasaro’s sales and staff complement. “Before receiving GroFin’s support my monthly sales were never above Rwf20.2 million. Now my current turnover stands at Rwf29 to 30 million. I had 16 staff members, but now my team has grown to 26 employees.”

Ntwali Victor is one these new employees. Victor tried support his wife and child by doing casual or temporary jobs before he started working as an electrician at Agasaro a year ago. His wife couldn’t find permanent work either but earning a steady salary has helped to change that too. “I paid for my wife to complete technical school and now she has a small sewing business. I can pay my rent on time, pay for medical services and send my child to a better school. We were two jobless people at home – now one of us has a permanent job and the other a business to run.”

GroFin has also assisted the business with networking and market identification and Uzamukunda says this has helped Agasaro to qualify for grants from different donors. “I have the contract for a US$ 199,000 grant for the construction of a modern plant in-hand and signed. This is all because of GroFin’s financial support and business advice which have taken me to another level as a businesswoman.”

“From my salary I can pay my rent on time, pay for medical services and send my child to a better school. We were two jobless people at home – now one of us has a permanent job and the other a business to run.”

Ntwali Victor, electrician at Agasaro

Pineapples grow easily in the fertile soil of the Nyamasheke District in Rwanda’s Western province. But with the fruit in such high supply during the harvest season and no local means available to process it, farmers here have always struggled to get a decent price for their produce.

As in the rest of the country, agriculture is the main source of income for many households. The Rwandan economy may boast a low unemployment rate, but national labour statistics show that over 60% of the country’s workers are in fact self-employed in the agricultural sector. These subsistence farmers typically have little control over the prices they are paid for their produce and so remain trapped in poverty. Women are most likely to bear the brunt of poverty as, according to Oxfam, they head close to a third of agricultural households and provide almost two thirds of the labour on family farms.

Agasaro Organic is helping to change this for the 552 farmers in Nyamasheke who act as its contracted suppliers. Agasaro is a woman-owned business which processes pineapple, maracuja, strawberry, honey and other agricultural products to make organic juices and biscuits.

Agasaro not only offers farmers fair pricing, but also assists them with training and fertilisers to improve their yield. Sindayigaya John, a pineapple farmer who employs 25 workers to work his land, says working with Agasaro has allowed him to earn more than double the income he did when he sold his fruit at local markets. “Working with Agasaro has improved our lives. My two children are now going to a better school and I am paying my employees’ salaries on time, which has also improved their lives. My vision is to one day also start a business like Agasaro.”

Isimwe Noella, also farms pineapples with her parents and five brothers. The family supplies three tons of fruit to Agasaro every week to earn around Rwf1,500,000. Before they could only make Rwf200,000 to 300,000 at local markets. “The quality of my crops has also improved because of the assistance and fertilisers which Agasaro provides us. Working with Agasaro has financially transformed our lives at home,” Noella says.
Investment & Impact at a Glance

**INPUT**
Sustainable SME Development Platform

**OUTPUT**
Successful Growing SMEs

**OUTCOME**
Inclusive Employment

**IMPACT**
Sustained and Inclusive Growth

---

**US$ 490M**
Raised Capital & Grants Towards Funds

**34**
Investors/Funders

**138**
Employees

**1,100+**
Years of Cumulative SME Experience

---

**US$ 361M**
Approved for Investment

**20%**
Average Growth in Client Turnover

**9,075**
Entrepreneurs Supported

**28,344**
Direct Jobs Sustained

**82%**
Viability Rate

---

**708**
SMEs Invested In

**90,900**
Total Jobs Sustained*

**5,660**
Direct Jobs Created

**9,526**
Direct Female Jobs Sustained

**122**
Female-Owned Businesses Invested In

**60%**
Semi-Skilled/Unskilled Labour

**5M+**
BoP Customers Served p.a.

**13%**
Start-Ups Invested in

---

**US$ 585M**
Economic Value Added p.a.

**454,500+**
Total Family Members Supported by Investees p.a. (Livelihoods Supported)

---

* For active GroFin managed Funds

* total jobs = direct jobs + indirect jobs

---

Figures as at 31 December 2018
OVERALL PERFORMANCE

Cumulative GAUM over the last 5 years

No. of SGBs Invested in over the last 5 years (Cumulative)

Cumulative Disbursement to SGBs over the last 5 years (US$)

OVERALL PERFORMANCE

Cumulative Direct Employment Sustained over the last 5 years

Figures as at 31 December 2018

Direct Jobs Sustained - by Gender

Female 34%  Male 66%

Direct Youth Jobs Sustained - by Gender

Youth Female Jobs 3,237  Youth Male Jobs 5,252

Direct Jobs Sustained by Region

Southern Africa 2,962  MENA 6,606  West Africa 7,967  East Africa 10,809

Direct Jobs Sustained by Sector (%)

Professional, IT & Other Services 24%  Wholesale & Retail 13%  Manufacturing 13%  Transport 4%  Healthcare 4%  Construction 7%  Key Services 9%  Agriculture 9%  Education 10% 
GroFin has focused its investment activity in high impact sectors by financing SMEs operating in the agribusiness, manufacturing, healthcare, education and key services (water, electricity, waste) sectors. As a result of our targeted deal origination efforts, we have gradually increased the number of deals approved in these high impact sectors, with 73% of approvals during 2018 being directed towards these sectors.
GroFin contributing towards the advancement of the United Nations Sustainable Development Goals

GroFin recognises that responsible businesses and investment, rooted in the United Nations (UN) universal principles, are crucial for achieving transformational change aligned with the UN Sustainable Development Goals (SDGs). How GroFin advances the SDGs through its investments in sectors of focus is depicted below.

<table>
<thead>
<tr>
<th>BUSINESSES ACTIVITY</th>
<th>GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disbursement:</strong> .................................................. US$ 339M</td>
<td><strong>Total jobs sustained</strong> ........................................... 90,900</td>
</tr>
<tr>
<td><strong>No. of Investees:</strong> ................................................ 708</td>
<td><strong>Livelihoods supported</strong> ........................................... 454,500</td>
</tr>
<tr>
<td><strong>Total number of external investors:</strong> ................................ 34</td>
<td><strong>Economic Value Added by Investees p.a.</strong> US$ 585M</td>
</tr>
<tr>
<td><strong>Capital and grants raised towards funds:</strong> US$ 490M</td>
<td><strong>No. of technical assistance partners:</strong> 8</td>
</tr>
<tr>
<td><strong>Disbursement:</strong> ................................................ US$ 51.7M</td>
<td><strong>Provision of tailored finance and business support to all GroFin investees.</strong></td>
</tr>
<tr>
<td><strong>No. of Investees:</strong> ................................................ 143</td>
<td><strong>Agriculture, agri-processing, food manufacturing and wholesale &amp; retail of food products.</strong></td>
</tr>
<tr>
<td><strong>Disbursement:</strong> ................................................ US$ 33.2M</td>
<td><strong>Multispeciality clinics, daycare centres, medical diagnostic facilities, and manufacturing &amp; retail of pharmaceutical &amp; wellness products.</strong></td>
</tr>
<tr>
<td><strong>No. of Investees:</strong> ................................................ 70</td>
<td><strong>Borehole drilling &amp; technical services related to water supply, water treatment facilities, production &amp; retail of bottled drinking water, and retail of hygiene products.</strong></td>
</tr>
<tr>
<td><strong>Disbursement:</strong> ................................................ US$ 27M</td>
<td><strong>Pre-primary, primary, secondary &amp; tertiary education institutions and the printing of educational textbooks &amp; other support materials.</strong></td>
</tr>
<tr>
<td><strong>No. of Investees:</strong> ................................................ 55</td>
<td><strong>Manufacturing &amp; retail of energy efficient products and the provision of clean energy solutions (solar &amp; LPG).</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Disbursement:</strong> ................................................ US$ 13.1M</td>
</tr>
<tr>
<td></td>
<td><strong>No. of Investees:</strong> ................................................ 30</td>
</tr>
<tr>
<td></td>
<td><strong>No. of Investees:</strong> ................................................ 16</td>
</tr>
<tr>
<td></td>
<td><strong>Disbursement:</strong> ................................................ US$ 43.6M</td>
</tr>
</tbody>
</table>
About the GroFin Small and Growing Businesses (SGB) Fund

The GroFin SGB Fund was set up in 2014 to serve as a commercially orientated vehicle for the provision of business development assistance as well as start-up and early stage growth-capital essential to develop sustainable small and growing businesses.

The Fund exclusively invests in Africa, in some of the most challenging business environments globally. We do this because creating sustainable businesses can have an exponential positive impact on the future of the continent. The SGBs we fund generally operate in areas with a high rate of poverty, and often employ people living in poverty or provide vital products and services to them.

Geographical exposure:
Nigeria, Ghana, Zambia, Egypt, South Africa, Kenya, Tanzania, Rwanda, Uganda, Senegal, and Ivory Coast

African Economic Context

Africa has put its lost decades of the 20th century behind it and made significant strides on social, political, and economic fronts since then. This turnaround, however, has not been uniform, with some countries growing strongly, and others remaining stuck in conflict and poverty. The continent’s growth outlook remains positive. Forecasted at 4% for 2019 and 4.1% for 2020, GDP growth is set to improve from the 3.5% achieved in 2018.

East Africa remains the most dynamic region, with growth forecast at 5.9% for 2019. Egypt - Africa’s 3rd biggest economy – is expected to achieve the strong growth rate of 5.3% it posted in 2018.

In West Africa, growth prospects of 3.6% are masked by the underperformance of Nigeria, forecast to grow by 2.1% in 2019 after registering 1.9% in 2018.

Other countries like Ivory Coast, Ghana, and Senegal have seen growth of at least 5% in the past two years and are projected to maintain it in 2019 and 2020.

Growth in Southern Africa will remain subdued due to the underperformance of South Africa, coming in at 0.8% for 2018 and forecast at 1.2% for 2019. This forecast is clouded by several risks, most notably the trade tensions between the US and its main trading partners, the likely manifestation of extreme weather conditions, the rising costs of external financing should interest rates in advanced countries continue to normalise, and political instability and security problems in some areas. Elections seem to have a particularly destabilising effect on local business environments, and most of our countries of operation will hold elections in 2019 or early 2020.

Performance of the GroFin SGB Fund

The SGB Fund continues to deliver long-term sustainable impact in its 11 countries of operation. Since its inception, the Fund has grown at a compound annual rate of 219%, ending with an investment portfolio of slightly over US$ 97 million at the end of 2018.

Our growth during the year was lower than envisaged due to the slow conversion of our fundraising pipeline. The Fund also experienced an increase in underperforming investments. A number of factors led to depreciating currencies in emerging markets, increasing non-performing loans across the lending industry.

We have been making continuous improvements to our credit granting framework and our business support offering to reduce credit risk to the Fund. It will, however, take some time to turnaround or exit from under-performing investments, and we expect that 2019 will continue to show some of the business stresses experienced by our investees.

The Fund is capitalised by respected impact foundations and DFIs, in addition to GroFin’s own investment into the Fund. We are confident that the successful conversion in 2019 of our fundraising pipeline will avoid the liquidity constraints which limited the Fund’s growth in 2018.

Since inception, the Fund has financed and supported 195 SGBs, provided business support to 1,620 SGBs, and sustained 14,018 direct jobs. The ripple effect through the communities these SGBs operate in is much larger.

The SGB Fund initially provided risk finance aimed broadly at SGBs meeting its target market criteria. Over time, the Fund has increased its focus on high impact sectors with very high and long-term growth-multiplier outcomes. These sectors not only have the highest employment creation per dollar invested, but also the longest and largest forward multipliers in terms of growth. During 2018, the SGB Fund made close to 70% of its investments in healthcare, education, agri-processing, manufacturing and key services (recycling, renewable energy and water treatment). We see substantial opportunities, especially in the healthcare and education sectors – services that cannot be imported and for which strong demand continues to outstrip supply.

Performance of the GroFin SGB Fund

The SGB Fund continues to deliver long-term sustainable impact in its 11 countries of operation. Since its inception, the Fund has grown at a compound annual rate of 219%, ending with an investment portfolio of slightly over US$ 97 million at the end of 2018.

Our growth during the year was lower than envisaged due to the slow conversion of our fundraising pipeline. The Fund also experienced an increase in underperforming investments. A number of factors led to depreciating currencies in emerging markets, increasing non-performing loans across the lending industry.

We have been making continuous improvements to our credit granting framework and our business support offering to reduce credit risk to the Fund. It will, however, take some time to turnaround or exit from under-performing investments, and we expect that 2019 will continue to show some of the business stresses experienced by our investees.

The Fund is capitalised by respected impact foundations and DFIs, in addition to GroFin’s own investment into the Fund. We are confident that the successful conversion in 2019 of our fundraising pipeline will avoid the liquidity constraints which limited the Fund’s growth in 2018.

Since inception, the Fund has financed and supported 195 SGBs, provided business support to 1,620 SGBs, and sustained 14,018 direct jobs. The ripple effect through the communities these SGBs operate in is much larger.

The SGB Fund initially provided risk finance aimed broadly at SGBs meeting its target market criteria. Over time, the Fund has increased its focus on high impact sectors with very high and long-term growth-multiplier outcomes. These sectors not only have the highest employment creation per dollar invested, but also the longest and largest forward multipliers in terms of growth. During 2018, the SGB Fund made close to 70% of its investments in healthcare, education, agri-processing, manufacturing and key services (recycling, renewable energy and water treatment). We see substantial opportunities, especially in the healthcare and education sectors – services that cannot be imported and for which strong demand continues to outstrip supply.
GroFin has invested over US$ 306,000 in Cesscolina East Africa through both the SGB Fund and the GroFin Africa Fund, which is currently in harvest phase. Cesscolina is a Kenyan general engineering firm which manufactures automotive components. It currently sustains 19 jobs.

Robert Komu Mwau has been working at Cesscolina as a sales representative for over 5 years. Mwau says finding a job in Mombasa is difficult. He supports his three children as well as members of his extended family. He says even neighbours call on him for financial help.

“I can feed and clothe my family and I feel settled in my soul. I used to live in a thatched and mud house, but now live in a stone and iron sheet roofed one. I have also been able to buy a motorcycle.”

Biotitiale is an Ivorian consulting firm providing laboratory testing and analysis for mining companies. The GroFin SGB Fund invested US$ 183 000 in Biotitiale to enable the company to purchase new high-end laboratory equipment, which has greatly improved its efficiency and turnaround times. Biotitiale can now perform 300 to 500 sample analyses in a single day – work that used to take the company a week to complete. The company has also secured crucial ISO quality management certification.

Biotitiale’s improved capacity means the firm can better keep pace with demand from Ivory Coast’s fast-growing mining sector. With GroFin’s support, Biotitiale has won new clients and gained market share in an industry dominated by large players. As a result of GroFin’s investment, Biotitiale’s annual turnover increased by 75% between 2016 and 2018.
About the Nomou Programme

GroFin partnered with Shell Foundation, an independent UK-based charity, to set up the Nomou programme to create sustainable employment, economic growth and social development through the growth of a sustainable SME sector in the MENA region.

Nomou, which is the Arabic word for growth, follows the GroFin SME development model of combining finance and business support. It targets SMEs in GroFin’s priority sectors as well as businesses which can be developed as effective local supply chain partners to larger corporations, especially in the oil and gas sector.

The Nomou programme executes its investments through three independent funds dedicated to investing in Oman, Jordan and Iraq.

Geographical exposure:
Oman, Jordan, Egypt, Iraq

Middle East and North Africa Economic Context

GroFin is exposed to the MENA region through its investments in Jordan, Oman, and Iraq under the Nomou programme as well as the SGB Fund’s investments in Egypt.

The MENA region posted adequate economic growth in 2018, but was weighed down by weaker global prospects and emerging market tightening. The Arab Gulf region was impacted by regional geopolitical tensions between Saudi Arabia, UAE, Bahrain and Egypt on one side; and Qatar, Turkey and Iran on the other.

The Jordanian economy was also placed under great strain by the closure of the country’s borders with Iraq and Syria due to continued tension in the Levant region. Iraq and Oman benefitted from an increase in the oil price during the first half of the year, but the price was volatile during the second half of the year and has declined again. Sanctions imposed on Iran by the United States also weighed on regional growth.

The World Bank expects economic growth in MENA to improve to around 1.9% in 2019, but intensified geopolitical and trade tensions could hamper this recovery. The bank also warns against the risk of an abrupt tightening of global financial condition, especially if accompanied by a much stronger dollar.

FUNDERS

Geographical exposure:
Oman, Jordan, Egypt, Iraq

INVESTEE SPOTLIGHT
Seerabeece, Oman
Nomou Oman Fund Investee

Seerabeece for Exhibitions & International Festivals organises and manages exhibitions, conferences, and seminars. The company also operates the amusement parks and games arcades for Oman’s two biggest festivals, in addition to managing children’s entertainment parks throughout the country. The Nomou Oman Fund invested US$ 935,000 in Seerabeece so the company could purchase new amusement park rides and games.

This investment, as well as the business support it received from GroFin, helped Seerabeece to increase its sales by 40% between 2016 and 2018. The company has also expanded its range of services to include VIP tent rentals and it now owns and manages a well-established entertainment camp and dinosaur-themed amusement park.

Since the fund’s investment, the number of jobs Seerabeece sustains has climbed from 92 to 120. The company also grew its client base from 15 to 24, winning big clients such as the Royal Court of Oman and the Ministry of Tourism.

INVESTEE SPOTLIGHT
Awael Al Janoob, Iraq
Nomou Iraq Fund Investee

GroFin’s Nomou Iraq Fund has invested US$ 500,000 in Awael Al Janoob. Located in Basra, the business sells a wide range of interior decoration materials and the funding it secured from GroFin enabled it to import additional stock.

Loay Muslim Ali has been working at Awael Al Janoob for seven years. He started as a general worker, working extra hours to support his family. Loay’s manager noticed his love for working with people and moved him to sales. Today, Loay is the sales manager at one of Awael Al Janoob’s stores.

“I can support my wife and three children as well as my sister and her two children as her husband passed away in an accident. I also hope to continue my studies as I could not complete them because of my difficult living conditions before.”
Nomou Jordan Fund

Development finance institutions regard Jordan as a country of high importance as its stability is crucial in a region tormented by conflict. Economic growth and sustainable employment are seen as the primary tools to ensure that Jordan maintains this stability.

The Nomou Jordan Fund was launched in 2014 to further the development of the country’s SME sector, which employs the majority of its private sector labour force. The Fund prioritises governate-based, women-owned and employment-intensive or export oriented businesses in order to maximise the impact of its investments.

The Fund also focuses on investing in non-Jordanian businesses owned by refugees or locally-owned businesses which employ a significant proportion of refugees and migrants, including Syrian refugees. According to the United Nations High Commissioner for Refugees (UNHCR), 89 out of every 1000 people who live in Jordan are refugees and 80% of Syrian refugees in Jordan live below the poverty line.

Performance of the Nomou Jordan Fund

The Nomou Jordan Fund has succeeded in generating positive community impact and by the end of 2018 it had supported 1,330 jobs – which translates into 6,650 livelihoods supported – and provided business support to 438 entrepreneurs. It has created 283 new jobs through investing US$ 21 million in 35 clients through 46 transactions. The Fund’s gross portfolio size stood at US$ 16.8 million at the end of 2018.

The Fund’s unique approach and concentrated efforts have attracted high quality development finance institutions such as KfW, The Lundin Foundation and the Dutch Good Growth Fund (DGGF) as investors. Most recently, the Soros Economic Development Foundation (SEDF) has committed US$ 8.4 million over several years towards the Fund’s efforts to reach marginalised communities and refugees.

The Fund achieved strong growth from inception until the end of 2017 but went through a difficult year in 2018 as political protests in Jordan and the continuation of regional strife weighed down the country’s economy. Delays in the drafting of contracts with new investors also translated into late availability of funds. With the addition of SEDF to our investment roster, the investment team concentrated on the new refugee support mandate as well as on managing the Fund’s portfolio for quality.

These factors all contributed to a lag in investment activity in 2018 and the Fund did not meet its investment target for the year. In 2019, we will continue to focus on portfolio quality and the refugee outreach and alleviation programme, while also working to significantly ramp up investment activity compared to 2018. Another priority is to explore expanding the Fund’s reach into the smaller end of the SME spectrum to further deepen its impact. In order to achieve this, we will also be looking to add new investment managers to our team.

Investment & Impact Metrics

Cumulative GAUM (US$ M)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cumulative Realisations (US$ M)

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ 0.08M</th>
<th>US$ 2.1M</th>
<th>US$ 2.2M</th>
<th>US$ 4.6M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

No of Portfolio Companies Invested In

<table>
<thead>
<tr>
<th>Year</th>
<th>6</th>
<th>19</th>
<th>31</th>
<th>35</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cumulative Direct Jobs Sustained

<table>
<thead>
<tr>
<th>Year</th>
<th>232</th>
<th>708</th>
<th>1,212</th>
<th>1,422</th>
<th>1,330</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% women-owned and managed business*

<table>
<thead>
<tr>
<th>Year</th>
<th>17%</th>
<th>21%</th>
<th>19%</th>
<th>20%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 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
Nomou Iraq Fund

GroFin operates within a broader business and SME ecosystem in every market we enter, but in Iraq we are proud to also contribute to building such ecosystems anew. The Nomou Iraq Fund was launched in 2013 with the objective to build a strong SME sector to help rebuild the economic fabric of Iraq and create sustainable jobs for Iraqis. The Fund aims to support local content development to help rebuild an industrial economy damaged by war and embargoes and to create employment in a region where the fast-growing and predominantly young workforce have limited opportunities.

Performance of the Nomou Iraq Fund

Despite the very limited financing at its disposal, by the end of 2018 the Nomou Iraq Fund has supported 668 jobs – translating into 3,340 livelihoods – and has provided business support to 83 entrepreneurs. The Fund has invested US$ 6.7 million in 11 clients through 12 transactions, thereby creating 230 new jobs. Its portfolio sized stood at US$ 5.5 million at the end of 2018.

This success led the international development finance community to notice the deep impact the Nomou Iraq Fund has had on communities and it secured an investment by USAID. The Fund is also in late stage talks with two prominent European development finance institutions for further financing that we look forward to securing by the end of 2019.

USAID’s total commitment amounts to US$ 17 million and is aimed at alleviating financial constraints in areas previously occupied by ISIS. This will see the Fund widen its focus on the Basra governorate to include northern Iraq. Between 2014 and 2017, the region’s occupation by ISIS and the subsequent military action to expel the group from the country displaced thousands of people, destroyed infrastructure and severely crippled the economy with minority groups impacted most severely.

Investment & Impact Metrics

Although the Fund continued to suffer from a lack of new investment capital in 2018, it continued its investment activities efficiently. The Fund’s portfolio remains strong and it has been able to disburse new deals from realisations. In 2019, we will focus on rolling out the new Northern Iraq Investments (NI) programme and maintain our strong investment pace in the south of the country. This will include allocating funds to clients which are located in the south but also do business in the north.
Nomou Oman Fund

Through a gift to the nation, Shell first established the Intilaqaah Enterprise Fund in Oman in 2007 and it was then rebranded to Nomou Oman in 2013. The Fund was established to benefit local entrepreneurship and Omanisation, which refers to the employment of Omanis by local businesses. It targets high impact sectors and aims to increase the number of local SMEs participating in the supply chain of large companies operating in Oman. Nearly 60% of Omanis are currently employed by the government, but the sultanate is committed to expanding the private sector. The Nomou Oman Fund aims to contribute to job creation, especially among the youth, through stimulating the development and growth of Oman’s SME sector.

Performance of the Nomou Oman Fund

The Nomou Oman Fund’s impact since its inception proves that there is room to address pockets of poverty anywhere in the world. By the end of 2018, the Fund had supported 1,804 jobs and 334 entrepreneurs. It has invested US$ 28 million in 41 companies through 47 transactions and its portfolio size stood at US$ 12 million at the end of 2018. The Fund’s success is testament to the long-term sustainability of GroFin’s model as it has been able to recycle the US$ 17 million in financing it received 1.64 times thus far.

The Nomou Oman Fund will continue to focus on local fundraising as interest in Oman from international development finance institutions remains limited. The volatility in oil prices has also made local entities reluctant to allocate more funds to development programmes and it is not common for them to allocate funding to impact investors.

Despite the above, the Fund has funds available from realisations and will seek to make new investments in 2019 and to continue showcasing the efficacy of GroFin’s model in various operating environments. We see opportunities in the oil & gas sector which remains the driving force of the Omani economy. Omanisation in this sector will continue to be a priority for the government and this offers many opportunities for investment in SMEs.
Aspire Small Business Fund (ASBF) supports micro and small businesses with business support, market linkages and risk finance. The Fund’s investment strategy focuses on job creation for the region’s most vulnerable economic groups – women and youths – through commercial enterprise development. The Fund provides the local equivalents of US$ 10,000 to US$ 100,000 in risk finance to credible entrepreneurs engaged mostly in labour-intensive activities that generate a high number of employment opportunities for workers at the base of the wealth pyramid.

Aspire Small Business Fund (ASBF) priorities businesses owned by current or former participants of programmes such as the Shell LiveWIRE scheme, YouWin, and the Nigerian federal government’s amnesty programme for Niger Delta youths. It also aims to promote small businesses capable of joining the supply chains of oil & gas and other multinational companies to help attain the objectives of Nigerian local content policies.

Niger Delta Economic Context
Nigeria’s economy still heavily relies on oil and the Delta region is responsible for most of the country’s oil production. A decline in oil production during 2018 dragged down growth in the Delta region and conflict as well as supply disruptions continue to seriously hamper the oil industry. Conflict and climate events are also affecting the region’s second most important sector, agriculture. Nigeria’s economy is expected to continue to post sluggish growth of around 2% over the medium term. Excluding the agriculture and oil sectors, the economy is also likely to continue to struggle due to sluggish demand and constrained private sector credit growth.

Performance of the Aspire Small Business Fund
ASBF commenced disbursement in 2014 and went into harvest when all its available capital had been disbursed by 2018. The Fund disbursed a total of US$ 3 million to 54 micro-businesses through 63 transactions. These investments supported 603 jobs, which translate into the support of 7,540 livelihoods. The Fund also provided business support to 383 businesses. Its portfolio size stood at US$ 1.78 million at the end of 2018.

In line with the Fund’s investment strategy, 54% of the entrepreneurs it funded were women and 25% were youths. Women hold 34% of the jobs the Fund sustains while 68% of these jobs are held by unskilled or semi-skilled workers. About 4,300 patients have also been treated at the medical facility ASBF funded.

ASBF’s investments are sustainable and its investment portfolio has maintained an average viability ratio of about 90% over the past 5 years.

The portfolio mainly consists of businesses providing vital goods and services that are most beneficial to people at the lower end of the income spectrum. Going forward, ASBF will continue to focus on supporting its investee businesses through capacity building and promoting best management practices to sustain their profitability and growth. There has been a growing concern over repayment discipline as the investments are unsecured. GroFin will continue to work closely with its development partners like the SPDC LiveWIRE Team, Port Harcourt Chamber of Commerce Industry Mines and Agriculture (PHCCIMA), and Henshaw Capital Partners to promote a good credit culture amongst the Fund’s beneficiaries to ensure the objectives of ASBF’s investors are attained.
Aspire Growth Fund (AGF)

The Aspire Growth Fund (AGF) caters to larger (medium-sized) enterprises with higher job creation potential and are capable of significant local economic value-add. The Fund provides local equivalents of US$ 100,000 to US$ 3 million in risk finance.

The Fund commenced disbursement in 2017, after overcoming initial challenges associated with market access. Its investment activities have started to gain momentum and disbursement grew by 117% between 2017 and 2018.

Performance of the Aspire Growth Fund

AGF disbursed a total of US$ 3.82 million to four businesses in 2018, which resulted in the creation of 179 new jobs. The funding it received from AGF in 2018 allowed MAMAD Schools to attain additional facilities to meet growing demand for quality nursery and primary school education and enabled the school to admit children with disabilities for the first time.

In 2018, AGF also invested in Finehome Global Concept Limited, after the business had grown large enough to migrate from ASBF. When Finehome first approached ASBF in 2015, it only operated one store mixing and selling paint. It now operates four paint stores and three sales outlets across Nigeria. Finehome has seen an increase of 260% in its turnover between 2015 and 2018 and employs over 300 part-time workers, in addition to its permanent staff.

Cumulatively, AGF has invested US$ 5.58 million in six businesses. The Fund has also provided different forms of business support to over 130 entrepreneurs. The six investees sustained 549 jobs, which supported 6,860 livelihoods across the Niger Delta. Its outstanding portfolio balance was $5.62 million at the end of 2018.

Women own at least 50% in three of AGF’s investee businesses. Women also hold 44% of the total jobs the Fund’s investments sustain, while 37% are held by unskilled or semi-skilled workers. The educational institutions AGF supports serve over 1,000 students and more than 40,000 patients have received medical attention at the hospital it funded.

The AGF investment portfolio is performing and maintains a viability rating of over 80%. Its investee businesses are stable, sustainable and promise to make significant contributions to the economic growth of the Delta region. The Fund will continue to explore further investment opportunities in the region and will maintain its focus on priority sectors and larger enterprises with higher employment potential. Preference will be given to transactions in the oil & gas and agro-processing sectors as the Fund approaches its last years of actively making investments.
Cumulative Sustained Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>303</td>
</tr>
<tr>
<td>2018</td>
<td>549</td>
</tr>
</tbody>
</table>

Sector Distribution - Outstanding Portfolio (%) as at end 2018

- Food & Accommodation: 37.3%
- Healthcare: 22.4%
- Manufacturing: 3.6%
- Education: 36.7%

BENEFICIARY SPOTLIGHT
God’s Real Favour Bakeries, Nigeria - Port Harcourt
ASBF Investee

GroFin’s Aspire Small Business Fund (ASBF) has invested nearly US$ 85,500 in God’s Real Favour Bakeries in Port Harcourt, Nigeria to enable the business to expand and increase its daily bread production.

Ngozi Wisdom is the chief baker at God’s Real Favour. Wisdom says he did not have a constant income before joining God’s Real Favour. Now he can support his wife, four children and elderly mother.

“Having a job means a lot to me. My job allows me to take care of my family and I am respected amongst my peers in my community. My hopes for the future are for my children to complete their education and to set up a small business for my wife.”

INVESTEE SPOTLIGHT
Seasons Pyramid, Nigeria - Port Harcourt
ASBF Investee

Seasons Pyramid processes and packages meat products such as beef, goat, and chicken. ASBF has invested just over US$ 90,300 in the business towards the installation of new equipment to increase production capacity. GroFin’s investment enabled Seasons Pyramid to expand from a single retail outlet, to now operate two retail outlets of its own as well as the butchery section for seven stores in the Market Square supermarket chain. Seasons Pyramid is also set to operate the butcheries in three new Market Square stores opening soon.

This expansion has seen Seasons Pyramid’s monthly revenue shoot up by 231% since GroFin’s investment. Its average monthly sales turnover also climbed by 202%. Seasons Pyramid is well positioned to continue to grow as the Food and Agricultural Organisation of the United Nations (FAO), estimates that domestic production meets less than half of Nigerian demand for beef, mutton, and goat meat.
One out of every ten children born in Nigeria will die before they reach the age of five. This shocking estimate by the United Nations underscores the impact a lack of adequate healthcare is having on a country plagued by malaria, HIV/AIDS, and tuberculosis.

According to the World Health Organisation, around 54 million malaria cases were recorded in Nigeria in 2017 and the disease remains one of the biggest contributors to the country’s high infant mortality rate. A poorly developed healthcare system and a dire shortage of doctors means that many Nigerians often have to rely on over the counter medications and struggle to access prescription drugs. The ability to access medication to prevent and treat malaria and other serious illnesses are lifesaving to Nigerian patients – and especially young children.

GroFin client, Reals Pharmaceuticals, markets and distributes a wide range of imported and locally manufactured pharmaceuticals including antimalarials, analgesics to treat pain and fever, antibiotics, and anti-infectives. The company sells its products directly to consumers and also acts as a supplier to other distributors, hospitals, clinics and pharmacies.

In 2017, GroFin provided Reals with the working capital it needed to meet growing demand from its clients. Adesanmi Israel Popoopla, Chief Executive Officer of Reals, says he approached GroFin as the interest rates offered by Nigerian banks were too high and unstable. “The funding we received from GroFin allowed Reals Pharmaceuticals to win the confidence of our suppliers and please our clients through delivering goods on time.”

This financing also enabled Reals to introduce seven new products to the market, including two new anti-malaria drugs. The company is currently in discussions to take part in the next phase of the Support to National Malaria Programme (SuNMaP), after acting as an agent in the project’s first phase from 2008 to 2016. Led by Malaria Consortium, the programme’s purpose is to reach Nigeria’s poorest and most vulnerable communities with evidence-based interventions to control the disease and reduce the malaria burden.

Reals started out in 1996 as a local scientific marketing office for Zeneca Pharmaceuticals, which later became AstraZeneca UK. Over time, the business evolved to focus on products that are brand generic and began to manufacture products locally. The company currently relies on three local suppliers to manufacture its products, making a valuable contribution to the sustainability of these and other local businesses.

Q-Bak Services Ventures Macro has been a supplier to Reals since 2008. The company designs and produces the inner cartons and labels for a range of Reals products. Hassan Muhammad, which heads up Q-Bak, says working for Reals has contributed to his business growth and sustainability and allowed it to maintain its staff of six people. “Doing business with Reals Pharmaceuticals has increased the scope and volume of our business and lead us to improve the quality of our production. This allowed us to attract more jobs from other companies,” says Muhammad.

While the management of Reals Pharmaceuticals have been in the pharmaceutical industry for years, GroFin was able to provide them with valuable business support. "The funding we received from GroFin allowed Reals Pharmaceuticals to win the confidence of our suppliers and please our client through delivering goods on time. My dream is to float the stock of the company in Nigeria Stock Exchange.” Adesanmi Popoopla, CEO of Reals Pharmaceuticals

GroFin advised the client on the proper classification of its expenses to ensure that is cost profile aligns with industry standards. This helped the company to realise that its gross profit margin was not accurate.

Obashola Dele-Oni, Investment Manager at GroFin Nigeria, explains that although many entrepreneurs are experts in their field, they can benefit from technical assistance to enhance their business skills. “If metrics like gross profits are not accurate, it can be misleading – even to the management of the company. With GroFin’s support, Reals was able to get a clearer understanding of its position and can aspire to improve sales and reduce expenses accordingly.”

Popoopla says GroFin’s regular advice and assessment of the company’s results have been very helpful. With GroFin’s support, the company has increased its revenue and broadened its product line. At the end of 2018, Reals Pharmaceuticals employed 97 people, compared to 75 when it applied to GroFin for financing. “My dream is to float the stock of the company in Nigeria Stock Exchange,” says Popoopla.
Recognising the need for having a rigorous impact management system

GroFin recognises that impact measurement is a core component of impact investing as it demonstrates our commitment, together with that of our investors and partners, to the socio-economic contribution of our tailored financial and business support to our investees small and growing businesses. Measuring our impact footprint also allows us to loop back the knowledge acquired into our businesses to prompt data-driven decision-making.

Enterprise related impact performance captured at the level of our investees is used to manage and monitor our impact performance against set targets, and apply insights gleaned to inform business decisions and help enhance the rigor of our investment strategy in a way that maximises the potential of creating tangible benefits of our activities, such as better understanding of our investees, streamlined deal sourcing, improving interactions with stakeholders and partners in the communities that we invest in.

Over the years GroFin has built up upon and incrementally raised the level of robustness of its impact measurement and management practices. By setting impact performance targets for its funds, GroFin is able to develop clear data collection efforts, drive performance management and ensure accountability.

We pride ourselves on the fact that all our impact management related principles, methodologies and tools implemented as at date show strong aligned with the International Finance Corporation’s (IFC) 9 Operating Principles for Impact Management.
<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>SGBs</td>
<td>Small and Growing Businesses</td>
</tr>
<tr>
<td>AGF</td>
<td>Aspire Growth Fund</td>
</tr>
<tr>
<td>ASBF</td>
<td>Aspire Small Business Fund</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>GIIN</td>
<td>Global Impact Investing Network</td>
</tr>
<tr>
<td>Exco</td>
<td>Executive Committee</td>
</tr>
<tr>
<td>ANDE</td>
<td>Aspen Network of Development Entrepreneurs</td>
</tr>
<tr>
<td>SPDC</td>
<td>Shell Petroleum Development Company of Nigeria</td>
</tr>
<tr>
<td>GAUM</td>
<td>Gross Assets Under Management</td>
</tr>
<tr>
<td>AUM</td>
<td>Assets Under Management</td>
</tr>
<tr>
<td>DGGF</td>
<td>Dutch Good Growth Fund</td>
</tr>
<tr>
<td>SEDF</td>
<td>Sonic Economic Development Fund</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle East and North Africa</td>
</tr>
<tr>
<td>AMI</td>
<td>African Management Initiative</td>
</tr>
<tr>
<td>LDP</td>
<td>Leadership Development Programme</td>
</tr>
<tr>
<td>MDP</td>
<td>Management Development Programme</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning</td>
</tr>
<tr>
<td>EHS Guidelines</td>
<td>Environmental, Health and Safety Guidelines</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>AASBC</td>
<td>Association of Accredited Small Business Consultants</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>ITC</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
</tr>
<tr>
<td>SuNMaP</td>
<td>Support to National Malaria Programme</td>
</tr>
<tr>
<td>SMMEs</td>
<td>Small, Medium &amp; Micro Enterprise Businesses</td>
</tr>
<tr>
<td>LPG</td>
<td>Liquefied Petroleum Gas</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agricultural Organisation</td>
</tr>
</tbody>
</table>