

FUND OVERVIEW

MESSAGE FROM THE CIO & IE



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Middle East



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Iraq

The COVID-19 pandemic has placed all economies under immense pressure and has hit SMEs especially hard. Iraq is no exception and the country remains heavily impacted by the virus with more than 147,000 infections and over 5,300 fatalities recorded at the time of writing. The government has responded by imposing a curfew and movement remains highly restricted especially in the northern Nineveh region and the city of Erbil. The sudden halt in trading caused by strict lockdown measures has also left small businesses throughout the country struggling to cover their expenses or even stay afloat.

The impact of COVID-19, coupled with dwindling oil prices, is also likely to make 2020 the most challenging year that the Nomou Iraq Fund (NIF) has faced since its inception. COVID-19 has also worsened operational complexities in an already difficult operating environment. NIF's investment activities were significantly affected by social unrest at the end of last year. Moreover, tension between the United States and Iran as well as the COVID crisis affected the Fund's performance in Q1 and Q2 of this year. This situation poses a major challenge for the Fund Manager to sustain operations and investment activity which should be an important factor to consider when assessing the Fund's performance over the period.

NIF's cumulative disbursements increased marginally to USD 7.6m in Q2, compared to USD 7.5m in Q1. NIF was only able to disburse USD 56k during Q2, and approximately USD 120k since the beginning of the year, from USD 1m in funds on commitment. At the time of writing, the Fund has disbursed a cumulative amount of USD 301,381. NIF realised USD 4.04m out of the USD 7.6m disbursed in total, representing 57% realisation since the inception of the Fund. The portfolio quality remains strong, with client viability standing at 87%, excluding the effects of COVID-19 on the portfolio. Thanks to the support of USAID, through a gift from the American people, we could adapt our existing programme under Northern Iraq Investments (NII) to offer USD 1.5m in financing to help small businesses in that region overcome the current crisis. This new COVID-19 SME Support Programme has already approved USD 835k in financing to SMEs.

QUARTERLY HIGHLIGHTS

- **Launch of COVID-19 SME Support Programme**

In May, Northern Iraq Investments (NII), with the support of USAID through a gift from the American people, launched a COVID-19 SME Support Programme to help small businesses in the region overcome the crippling impact of the pandemic.

- **Business Support**

GroFin Iraq provided our clients with a COVID-19 Environmental, Social, and Governance (ESG) framework to reduce the risk of infection to their employees and customers. We also provided a resilience tool kit to help them better manage the impact of the virus on their business income and cashflow.

- **Deal generation**

GroFin Iraq took part in a company-wide initiative, #Onthemove, to strengthen deal generation. Every alternate Wednesday, Investment Managers across all GroFin offices got moving to meet prospective new clients. When COVID-19 measures restricted our movement, we hosted a webinar to connect with nearly 40 prospects.

- **Release of Annual Report**

GroFin released its annual Impact Report for 2019 in April this year. The report included an overview of the financial performance and impact generated by the Nomou Iraq Fund (NIF) and Northern Iraq Investments (NII).

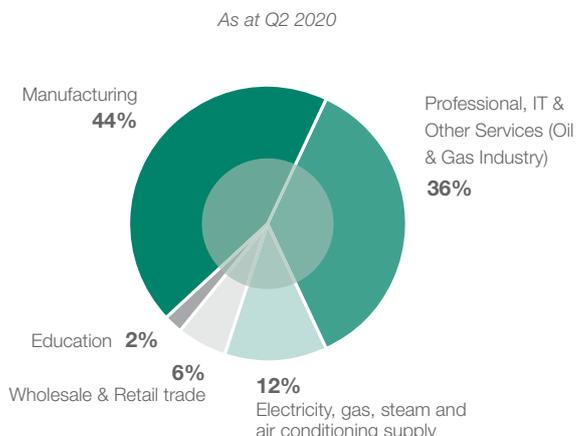
PORTFOLIO

OVERVIEW

<i>As at Q2 2020</i>	NIF	NII
Total disbursement to SMEs	USD 7.6M	USD 0.25M
Total portfolio balance	USD 5.8M	USD 0.23M
Total number of SMEs invested in	11	1
<i>During Q2 2020</i>		
New SMEs invested in	-	-
Value of disbursement to SMEs	USD 55K	USD 130K

*NIF: Total of USD 301k disbursed at time of this report together with approx. USD 2m loans approved by NIF for 3 clients, to be disbursed in Q3.
 *NII: Total loans of USD 835k under CV-19 Support programme approved by NII as at the time of this report, out of which USD 350k disbursed already.

DISBURSEMENT BY SECTOR - NIF & NII



INVESTEES SPOTLIGHT

Sumer for Industrial Gases (NIF Investee)

Sumer Gas produces and supplies oxygen, as well as carbon dioxide, nitrogen, and argon for industrial use in the chemical and oil & gas sectors. Located in Basra, Sumer supplies medical oxygen to the Health Directorate of the nearby Dhi-Qar governorate.

Medical oxygen is critical in the fight against COVID-19 and even more so in Iraq, where potential shortages of this lifesaving resource is a real concern. The NIF recently approved a second round of USD 800k in financing to Sumer to strengthen the company's working capital. The funds will enable Sumer to purchase additional supplies of oxygen and other gases.

Sumer received USD 600k in financing from NIF in 2016 to purchase a gas loading truck, tanks, and to expand its production facility. The new truck allowed Sumer to transport and deliver gases within oilfields and with its expanded capacity it could win new contracts and compete more effectively. As a result, Sumer has seen its turnover grow by 106% between 2018 and 2019. Its staff number increased from 18 to 28 between 2017 and 2020, with no employment losses from COVID-19.

Abdul Monaem, Sumer's owner, says the business has ramped up production, even as curfews and other measures to curb the spread of COVID-19 have made it more difficult to keep its operations going and placed severe strain on many small businesses.



“We had to balance the health of our employees with keeping our operations steady. But knowing that our work is essential to provide the required oxygen to save people’s lives has kept us positive during this hard time.”



Abdul Monaem, owner of Sumer

BUSINESS SUPPORT

OVERVIEW

<i>As at Q2 2020</i>	NIF	NII
Entrepreneurs who received pre-investment business support	97	50
Entrepreneurs who received post-investment business support	11	1
<i>During Q2 2020</i>		
Entrepreneurs receiving pre-investment business support	4	37
Entrepreneurs receiving post-investment business support	8	1



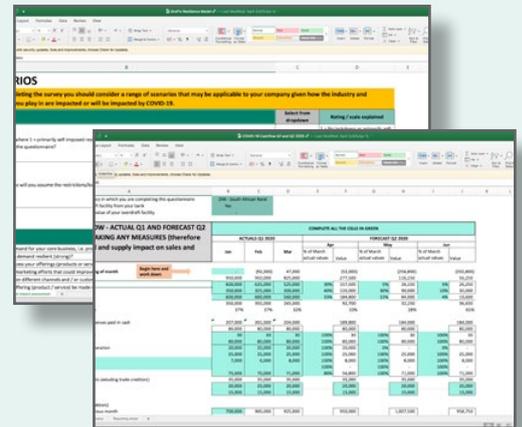
On-going Business Support provided to clients during the pandemic

As curfews and other measures against COVID-19 restricted our ability to conduct client visits, GroFin Iraq continued to provide business support to our clients through remote means during this difficult period.

GroFin’s Impact team developed a **COVID-19 Environmental, Social, and Governance (ESG) framework** drawing on international best practices. Our Investment team advised clients on implementing the framework to help **minimise contagion risk** to their employees and customers.

We provided clients with a **Resilience Tool Kit** which we used to guide a detailed discussion with them on how to **protect revenue and reduce expenses**. We also advised them on steps to take to **protect their cashflows**.

Each client undertook a **rigorous cashflow stress test** and had to **gauge the expected impact** of the pandemic on four aspects of their business: demand, supply chain, staff, and finances. This process also included **reviewing expenses** line by line to consider measures such as renegotiating rental agreements or reducing staff hours and exploring alternatives to increase revenue, such as moving to online sales.



IRAQI CINEMA (NIF Investee)

When COVID-19 forced Iraqi Cinema to close its theatres to moviegoers, the cinema started using its branded company van to sell caramel popcorn – a customer favourite – to supermarkets and small stores. They used Facebook to market their product to customers stuck at home. The popcorn sales are not only helping to generate much-needed revenue while theatres remain closed but serve as a valuable marketing tool to remind customers about the experience of going to the movies.





Northern Iraq Investments (NII), with the support of USAID through a gift from the American people, **has created a COVID-19 SME Support Programme** to help small businesses in the region overcome the crippling impact of the pandemic.

The Support Programme was launched in May through a webinar with 38 prospective applicants and will extend USD 1.5m in financing to qualifying businesses. The programme uses an online application process and GroFin has adapted its credit process to fast-track disbursements. At the time of writing, 15 deals have been approved by our credit committee for a total amount of USD 835k.

“This flexible small business loan programme is another example of the longstanding U.S. commitment to the people of Iraq. Small businesses are an important driver of growth and recovery, and thus, our ongoing support to private enterprise and entrepreneurship in Iraq is important in helping Iraqis grow, prosper, and build their futures.”



Dana Mansuri, USAID Mission Director



Mia Bella Beauty Lounge: COVID-19 SME Support Programme Beneficiary

Shilan Tofiq Mustafa and her family fled from Mosul when ISIS invaded in 2014. She settled in Erbil, where she opened Mia Bella Beauty Lounge in 2018. Mia Bella was employing nine people and set to open a second branch in Mosul when the COVID-19 pandemic struck. Lockdown measures meant that Mia Bella had to remain closed for 75 days, placing immense pressure in the business’s cash flow.

Mia Bella has received USD 50k in financing through the NII’s COVID-19 SME Support Programme. This funding will allow the business to continue operating and retain its staff, which includes 21-year old Harzhin Ali who works there as a hairdresser.

“My job allows me to pay for my college tuition fees and to support my mother. It gives me the self-confidence to know that I can face anything in this life.”

Harzhin Ali, employee at Mia Bella Beauty Lounge



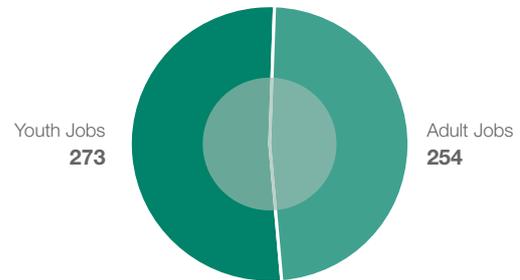
IMPACT

Empowering Youth Employment in Iraq

OVERVIEW

As at Q2 2020

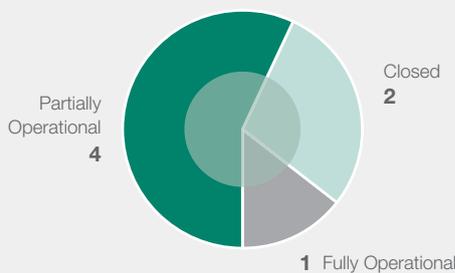
	NIF	NII
Total jobs sustained	650	60
Direct jobs sustained	481	46
Total livelihoods sustained	3,250	300
Direct jobs sustained per USD 1M disbursed	63	184



52% of direct jobs sustained by the NII & NIF are held by the youth (less than 35 years of age)

- During Q2, a total of **150 direct jobs** were lost at NIF's 7 active client businesses, representing a decrease of 24% in direct jobs sustained as at end of Q1 2020.
- The highest numbers of job losses were seen at 3 client businesses: **Shams Al Saduq** laid off **77 employees**, **Al Dar Co. General Services** laid off **35 employees**, and **Iraqi Cinema** laid off **19 employees**.
 - » Shams Al Saduq struggled to sustain employment as the company, which provides technical and mechanical services in the oil and gas industry, was severely impacted by the COVID-19 pandemic which has disrupted this sector at a global level.
 - » Al Dar Co. General Services, involved in the installation and maintenance work of electrical power systems, could not maintain its staff numbers as the COVID-19 lockdown caused a drop in demand for its services.
 - » Iraqi Cinema had to lay off 19 staff members as it could not operate its movie theatres during the lockdown.

Status of active portfolio clients during Q2

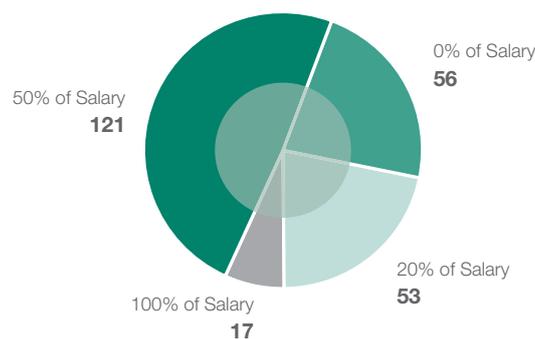


% Staff by employment status



- Businesses that were partially operational during Q2 2020, cut their employees' salaries by up to 50%. This was the case for 77 employees, while the others received full pay.
- A total of 247 employees, working at 5 out of the 7 client businesses in the portfolio, were placed on paid leave due to the pandemic.

Number of staff on paid leave by % of original salary received



ANNUAL REPORT

GroFin released its annual Impact Report for 2019 during the second quarter of this year. The report highlighted that GroFin deployed USD 21m in growth capital to 25 new small businesses during 2019, thereby increasing the number of jobs sustained since inception to 89,450.

The Impact Report also provides an overview of the following:

- GroFin's initial client interventions in response to the COVID-19 pandemic.
- The financial performance and impact generated by each of our seven active Funds, including the Nomou Iraq Fund (NIF) and Northern Iraq Investments (NII).
- The impact our finance and business support have on our clients' businesses and how these businesses impact communities through job creation.



BRAND BUILDING

GroFin CEO, Brienne van der Walt, took part in *ImpactAlpha's* Agents of Impact Call series. The virtual panel discussion focused on the need for 'responsive, aggregated and accessible capital' to help small and growing businesses in emerging markets survive the COVID crisis. Brienne highlighted the immediate need for cashflow resilience among small businesses to help them to survive over the short-term, before they can begin to rebuild.



"In terms of business hospitalisation, and putting many of these companies and their employees in economic intensive care units, we are six to nine weeks behind the human health tsunami."

Brienne van der Walt, GroFin CEO

