



# Dutch Good Growth Fund

## Notice proposed transaction 20180411 GroFin SGB

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Taking into account the provisions for governing bodies that apply under the 'Freedom of Information Act' ('Wet openbaarheid van bestuur') and the 'Data Protection Act' ('Wet bescherming persoonsgegevens'), the Fund Manager of the DGGF part 'Financing local SMEs' will publish its anticipated transactions.

### Views

Parties can express their views on the proposed transaction to the Fund Manager by contacting [dggf@nl.pwc.com](mailto:dggf@nl.pwc.com) within 30 days after publication date of the notice. After the transaction has been closed, or after it has become clear that the transaction will not take place, the Fund Manager will respond as soon as possible to these parties concluding on the expressed views by these Parties.

### Description (English)

#### Part of DGGF:

Financing Local SMEs

#### Name Intermediary Fund (IF):

Grofin SGB Fund (GroFin).

#### Domicile IF:

GroFin is domiciled in Mauritius.

#### Name of manager of the IF:

GroFin Managers (Private Company Limited by Shares), a regional organization with its head offices in South Africa and Mauritius, and operations in Africa and the Middle East.

#### Nature of the activities of the IF:

GroFin offers long-term 'mezzanine' financing to relatively small SMEs in eleven African countries. This mainly concerns start-ups and growing SMEs in various sectors (e.g. agriculture, health, education, energy). GroFin's strategy is to work closely with the management of investee companies and to systematically bundle business development services with the financing it offers. These include support on ESG, business planning and strategy, financial systems, sales and marketing, operation and technology. Since investment, GroFin has successfully expanded its model to new countries.



**Size of proposed investment:**

EUR 5 million

With this investment DGGF, together with other current LPs contributes to a follow-on closing of the fund. The investment is in addition, to DGGF's commitment to GroFin of EUR 5m in debt and USD 10m in equity in 2015.

**Intended transaction date:**

The Fund Manager plans to close the agreement for the additional EUR 5 million in Q2 2018.

**Expected financial results:**

A positive net financial return on the investment is expected.

**Expected social impact:**

Three years after the start of the fund, GroFin has demonstrated good impact in terms of SME outreach and employment generation. The Fund invests in SMEs largely underserved by existing lenders (banks and PE funds) and by offering extensive business development services, the Manager is going beyond the formal role of a lender in growing SMEs. The Fund has proven to support young entrepreneurs and has invested 31% of its capital in youth-owned businesses. GroFin has successfully disbursed its around 80M USD of available capital and additional funding from DGGF will support further portfolio growth and reaching more SMEs.

**ESG compliance:**

GroFin targets investments in very diverse sectors and is therefore exposed to a wide range of ESG risks. The ESG policy and processes are designed to adequately address these risks, for example by running regular ESG trainings for staff and by hiring external specialists to ensure that specific ESG risks are properly identified and addressed.

**Tax compliance:**

The Fund manager has assessed the risks of tax avoidance by the IF and monitors this annually. The outcome from the assessment confirms that the IF is not making use of artificial constructions to lower tax in the developing countries and the Fund manager posed conditions to the IF to ascertain this. The country of domicile of the IF (Mauritius) meets the OECD transparency requirements and there are no artificial structures in place. The IF requires SMEs that request financing to comply with local laws and regulations, among others those in respect of tax, and will monitor whether these SMEs meet their tax obligations.