

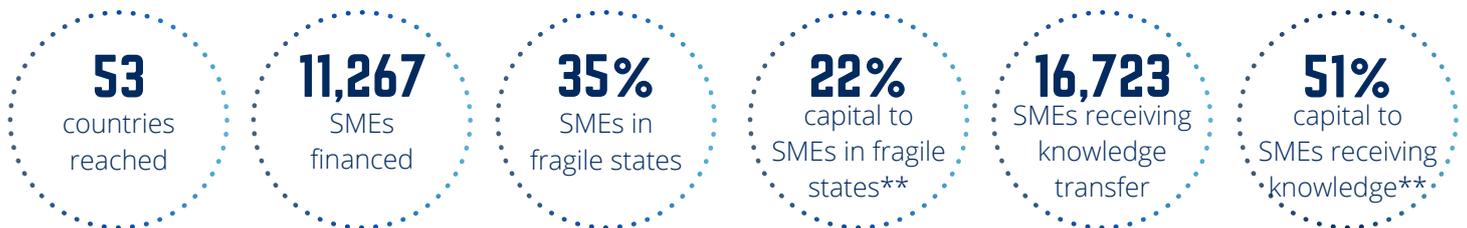
# DUTCH GOOD GROWTH FUND IMPACT NEWSLETTER

## TRACK 2 - FINANCING LOCAL SMEs



Photo credits: Akwaaba Feeds

## IMPACT SNAPSHOT\*



## ABOUT THIS EDITION

*Impact investors, accelerators, and angel investors have always played a key role in our portfolio. In the past two years, the global pandemic has proven to be a unique opportunity to accelerate change and find alternative solutions. From hospitals making ends meet when it matters most to agribusinesses strengthening the supply chain, in the first newsletter of 2022, we shine a light on how DGGF investees are helping to find innovative solutions for the complex challenges of our times.*

*We measure our impact contribution by focusing on a set of key performance indicators. DGGF pays particular attention to fragile states, where businesses deal with added challenges. Last but not least, the transfer of expertise to entrepreneurs by DGGF financed intermediaries creates a favorable environment for new ideas to flourish.*

\*2021 preliminary results

\*\*DGGF data only (excl. SCBD results)

# DEAL PROGRESSION

Closing in progress:

**SALKANTAY EXPONENTIAL FUND**

Closed:

**ALGEBRA VENTURES FUND II**

**FS CAPITAL**

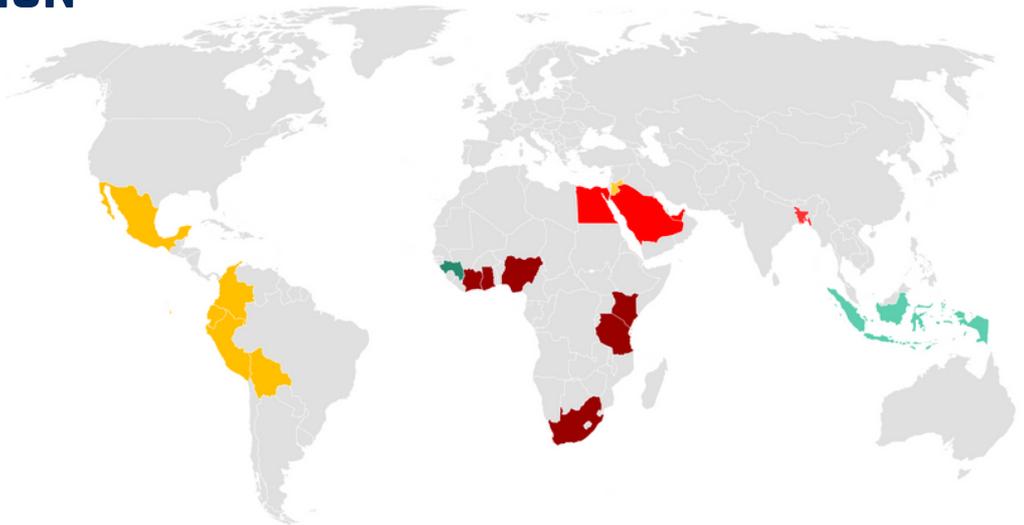
**ATLANTICA VENTURES FUND**

**TOOQUEDA**

**KIU**

**IWWA**

**AFRICAN ANGEL ACADEMY**



# PORTFOLIO HIGHLIGHTS

## COLD STORAGE PRACTICES: KEY TO FOOD SECURITY IN MOZAMBIQUE



Photo credits: Terramar

Countries in Southern Africa are perennially food insecure, a challenge that became even more pressing thanks to disrupted food value chains during the pandemic. Aside from increasing yields, proper handling and storage practices can reduce post-harvest losses, and help maintain the nutritional value of highly perishable foods, thus extending shelf-life and boosting market value. In Mozambique, importer, distributor, and wholesaler of frozen and chilled foods **Terramar** is one of the key players driving this solution.

Based in Maputo since 2000, the company aims to contribute to the development of local supply chains by sourcing from local and regional markets. Terramar takes pride in having the largest cold storage infrastructure in the country to facilitate food supplies-

distribution into underserved parts. It is estimated that the company controls 60% of the national local frozen food and consumer products market, allowing it to move the needle to avoid contaminated foods and support healthy lives. Moreover, the company's impact thesis is strongly geared towards local job creation, women employees in particular.

Since March 2022, Terramar is a portfolio company of **Zebu Investment Partners**, a private equity fund with offices in Accra and Johannesburg. DGGF is cooperating with Zebu since 2018 through the **Africa Food Security Fund**, an initiative focused on underserved SMEs active in the agricultural value chain. Terramar is the only SME in Mozambique that DGGF has invested in.

## AKWAABA FEEDS IMPROVING POULTRY FEED QUALITY IN GHANA

**Akwaaba Feeds** is a Ghanaian feed manufacturing company set up in 2018 by two Ghanaian entrepreneurs. With rising temperatures and costs, and periodic shortages of essential raw materials, the company found a replacement in maggot meal (insect protein from black soldier flies) to increase protein levels required in the poultry feed formulation. After piloting and testing the concept, the company raised funding to scale up maggot meal production. In 2020, Akwaaba nearly doubled its factory capacity, included solar energy in its energy mix, and increased maggot meal production. Eighteen months later, the company has doubled its revenue, doubled its distributors, expanded its poultry farm by over 500%, and remains profitable and ready to go to market.

Akwaaba Feeds aims to use circularity practices to become a zero-waste company. It combines all the waste from its feed production with other food waste to farm the maggots. All maggot production waste will be turned into compost and used in crop farming.



Photo credits: Akwaaba Feeds

Akwaaba is supported by **Wangara Green Ventures**, a **DGGF Seed Capital client** focusing on greening SMEs in Ghana. Akwaaba now has a governance body in place, it acquired all regulatory and environmental permits, improved working conditions for its employees, and continues to have a positive impact on the communities where they operate.

## WEATHERING THE COVID-19 STORM IN A UGANDAN HOSPITAL

As COVID-19 restrictions lift worldwide, the DGGF Investments team is reconnecting with partners on the ground. In mid-March, we had the opportunity to visit **TMR Hospital** in Kampala. Since 2018, TMR is financed as part of the portfolios of both African Rivers Fund I and III, which are managed by **XSML, DGGF's local partner** in Uganda and the DRC.



Photo credits: Triple Jump

In June 2021, Uganda was forced into a severe 42-day lockdown. Hospitals were full and essentials like oxygen, ventilators, and protective equipment were hard to come by. CEO and founder of TMR, Dr. Daniel Talemwa, pointed out that capacity levels were so stretched that even the board room was adapted to create extra space for beds. Staff efforts were focused on ICU treatment, at the cost of maternity care and operating capacity. With the financial support from XSML, TMR kept operations going and had sufficient equipment to manage patients. Dr. Talemwa shares these experiences while ending on an optimistic note, as he shows the team around the expansion site that should increase the original capacity 2.6 times. With hospitalizations due to COVID-19 diminishing, he is able to look ahead. The expansion, financed by ARF, will include a radiology department and enable TMR to provide CT scan services. Dr. Talemwa and staff have shown great resilience during the COVID-19 pandemic and DGGF is proud to contribute to their efforts.

# DGGF IN ACTION

## BANGLADESH: CHANGING BUSINESS ENVIRONMENT AS TECHNOLOGY FOSTERS INCLUSION

DGGF's presence in Bangladesh spans a few portfolio companies from **Aavishkaar Frontier Fund** which makes investments in the region, including Sri Lanka and Indonesia. Investable opportunities in this country stem from its young demographics (largely underserved by traditional financial markets) and its capacity-building efforts in the wake of climate change. As it moves toward becoming a middle-income country in the next years, technology plays an increasingly important role, facilitating access to health and education in rural areas, solving complex supply chain and urban transport issues, and offering new solutions for microentrepreneurs. In this context, DGGF considers the development of a mature venture capital landscape to be fundamental for job creation and increased diversification.

As part of our market mapping efforts, the DGGF team visited Dhaka earlier this year. We held talks with financial institutions, fund managers, peer investors, and others. This provided a better understanding of a complex ecosystem, and reassured our confidence that front-running capital can have an enormous impact on the local VC landscape, given the hesitance of larger institutional investors to do business in the country.

We found a business community very aware of investors' main concerns and striving to address them, often through working together with regulators. At the same time, various incubation and acceleration programs sponsored by local investors, government, and foreign organizations currently support young entrepreneurs, which continue to face difficulties sourcing capital to bridge their businesses into mature stages. DGGF will continue to explore ways to best contribute in Bangladesh, and hopefully materialize new investments in the country in the mid-term.



Photo credits: Triple Jump

## GENDER LENS INVESTING WORKSHOPS FOR DGGF'S INVESTMENT COMMITTEES

The Investment Committees of both the Investment Portfolio of DGGF and the Seed Capital and Business Development Programme recently underwent **Gender Lens Investing (GLI)** training and workshops by the consultancy firm **Steward Redqueen**.

Last year, Steward Redqueen mapped the portfolio of DGGF clients to gain a better understanding of their gender awareness, capacity, and strategy. As these outcomes were highly beneficial for the Investment Committees (ICs), a workshop has been delivered leveraging the outcomes of the mapping, in order to enable the ICs to make even better-informed, gender-aware decisions.

The workshops' objective was to further improve the understanding of key challenges and approaches to implementing gender considerations into a fund-of-funds model, as well as key gender diversity aspects that the ICs should focus on when evaluating a deal, minimum gender standards, and action plans for achieving gender diversity. The training was divided into two sessions where the ICs had fruitful discussions on their role as IC members in applying a gender lens in DGGF investments, as well as how DGGF can best assist clients in their **GLI journey**.

# THE ROLE OF ANGEL INVESTING IN CLOSING THE EARLY-STAGE FINANCING GAP FOR HIGH GROWTH VENTURES IN AFRICA

Only a few models have the risk appetite required and capacity to provide the appropriate risk financing. "Business angels form a critical class of investors as they offer capital with high-risk tolerance in combination with expertise and networks", particularly well-suited to accompany young high-growth entrepreneurs on their growth path.

*“While challenges are abundant for all missing middle segments as captured by the estimated USD 5.2 trillion MSME finance gap in developing countries, early-stage enterprises face bigger hurdles, and the lack of financing is a major constraint to their start-up and growth.”*

**The latest knowledge product commissioned by DGGF** focuses on innovations that allow for more high-growth ventures to receive the startup and growth capital they need to build more sustainable and scalable businesses that will create jobs and opportunities for many. These new approaches make it easier and more cost-efficient for angel investors to invest in high-growth ventures in Africa – they are pioneering with an enhanced appetite for risk and the capacity to innovate and adapt the known model of angel investing into hybrid models.

Hear from the pioneers about the success factors of scalable and replicable angel investing models that make more youth-led high-growth businesses secure the seed and early-stage risk capital they need to provide products and services and job opportunities for local populations in an inclusive way.

**Watch the recording of the Sankalp Africa 2022 session.**

*High-growth ventures may be the most risk-perceived ones due to their high risk/high potential return profile explained by the scalability of the business model, often tech-enabled. “The speed of technological innovation across the African continent is seen as critically important and a key driver of prosperity creating new and often high-value jobs, significantly contributing to economic growth. In addition, technological innovation in Africa is in most cases directly improving the lives of many by increasing access to education, health care or for example financial services or bringing down the cost of energy.”*

## THE DGGF TEAM IS EXPANDING IN NAIROBI

We find it key to ensure a good understanding of the regions where we invest. In early 2022, Marie went from Amsterdam to Nairobi to strengthen DGGF's presence on the ground in Africa, where most of our financing is channeled. Currently, there are six people in the Nairobi office looking after DGGF investments, amongst other investment activities. With COVID restrictions almost removed, Brenda and Marie (pictured below) look forward to meeting **our locally-based managers** and portfolio companies and engaging with the ecosystem over the next few months.



DGGF team at the Nairobi office.

Would you like to know more about DGGF in the countries in which you operate?

**Visit our website** or contact us at [dggf@nl.pwc.com](mailto:dggf@nl.pwc.com)

