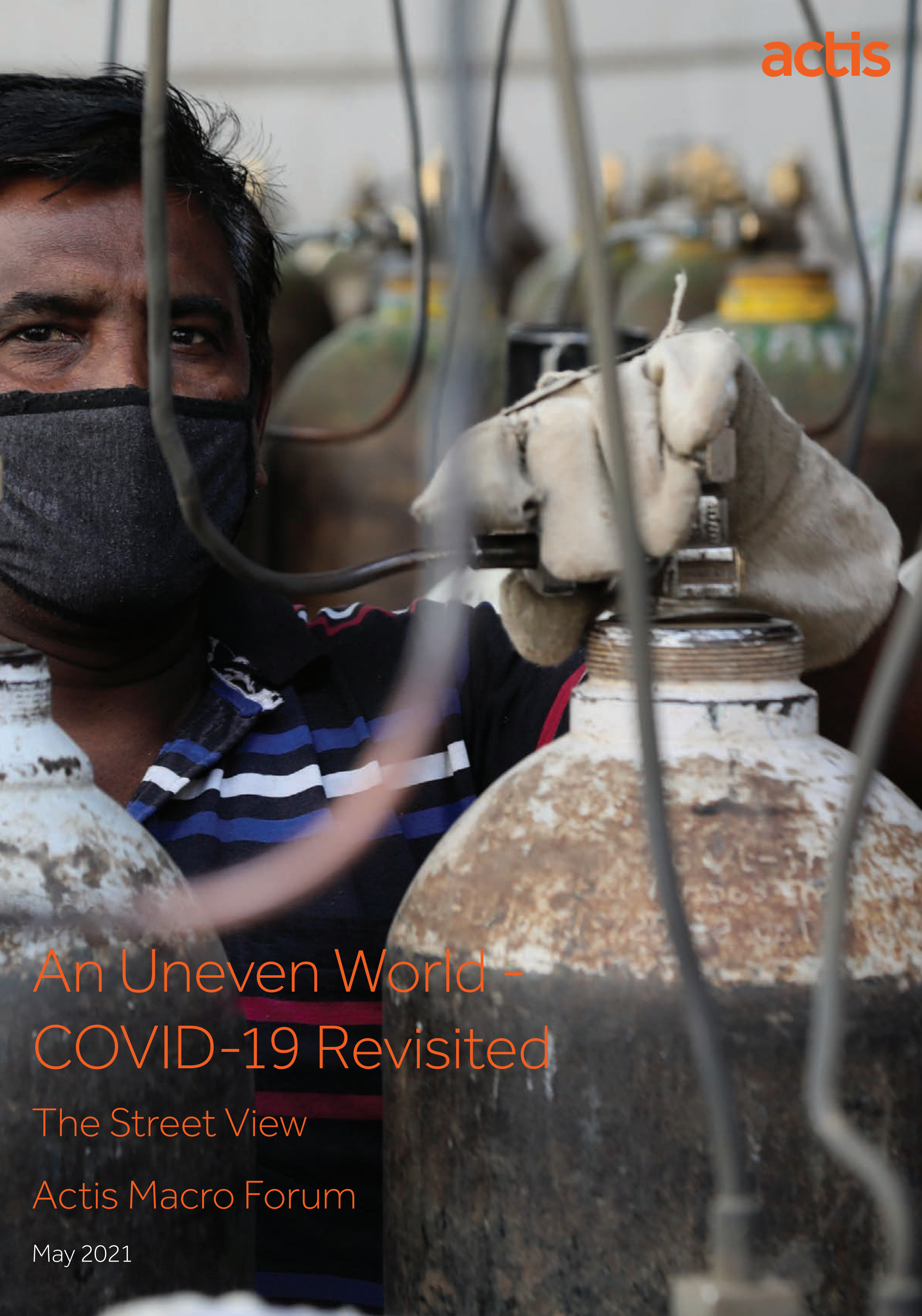

An Uneven World - COVID-19 Revisited

The Street View

Actis Macro Forum

May 2021

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Contents

Street View

Weighing the Crisis

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Throughout the COVID-19 Crisis, the Actis global network of more than 300 employees in 16 countries has been an invaluable resource in giving on-the-ground information. In this publication, we update you on these 'Views from the Street'. The message is clear - it 'ain't over' by any means.

We also examine some malignant outcomes of the crisis, including mushrooming inequality. This includes gender opportunity, vaccine availability, efficacy and cost. Fiscal and debt dynamics continue to deteriorate despite generous and swift multilateral action. Doctor Clare Wenham, Assistant Professor of Global Health Policy at London School of Economics, and Actis' own Shami Nissan, Head of Sustainability, look at social inequality during the pandemic, and I cover fiscal and vaccine inequality.

It is not all doom and gloom. The further eastwards one travels, the more optimism shines through. A global survey of our portfolio companies and colleagues undertaken by Ed Williams and David Kunzmann of Actis, draws stark contrasts between Asian views and those of Latin America and Africa. And whilst there are many challenges in implementation, the global healthcare research response is in overdrive when it comes to vaccine and therapeutics development.

A year ago, many commentators were prepared to write off Emerging Markets as an investment opportunity. We disagreed, noting that recessions and currency sell offs had historically provided the best opportunities for new investment. By the end of last year, many of those early 'Jeremiah's' were predicting Emerging Markets as their number one asset class choice for 2021. Writing now in the spring of 2021, we see a more nuanced picture, whereby country and industry specifics are increasingly important to outcomes. As investors in private assets, we must focus on the long term horizon. We believe that even fiscally strapped governments will be increasingly focussed on risk mitigation, putting climate change and sustainability centre stage.

Reading through the stories from colleagues on the ground was an inspiring experience. Tales of ingenuity and adaptability against adversity are heart-warming. Children, dogs, wardrobes, bookshelves, washing lines, bikes, souvenir dolls, patterned wallpaper, log cabins and photo shopped backgrounds have featured in seemingly never-ending Zoom calls. One colleague has never failed to appear without a turbine blade (apparently) sprouting from his head! More seriously, the importance of digital networks has been reinforced, and digital is a constant theme in the pages that follow.

A health warning - some of the individual commentaries that follow may make for uncomfortable reading. COVID-19 experience has been and remains stressful for many. What you believe and how you feel about this crisis of humanity differs profoundly depending on your location and circumstance. We make no apologies for presenting (largely) unedited views of the world as seen on the ground. Others may have less or more sanguine views, reflecting individual circumstances. We do however hope that the perspectives in the following pages add to an already rich canvas that documents COVID-19 and its impacts.

One personal observation - vaccine diplomacy stands in the way of effectively combatting COVID-19. Individual vaccines all have drawbacks – whether it be cost, efficacy or side effects. Yet eschewing inexpensive vaccines because of side effects and replacing with others that either stretch poorer country budgets or have low efficacy rates are false economies of Olympian proportions. My friend Sir Jeremy Farrar, Director of Wellcome Trust - a leading global life sciences foundation - talks compellingly of the need to vaccinate the world. This won't happen effectively if priorities continue to be jumbled.

We hope this is the last edition of Street View that focusses in its entirety on COVID-19. However, we acknowledge that impacts from the pandemic may remain part of the investment landscape for a long time to come.

Vaccination Taxation

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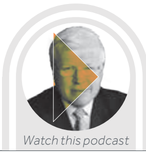


Margaret Keenan - a 91-year-old grandmother - is an unlikely history maker. On 8 December 2020 she was the first person in the world outside of trials to be vaccinated against COVID-19. A few months later, the number of vaccine shots administered globally had mushroomed to over one billion in 152 countries according to Bloomberg. Vaccination rates will shortly exceed 20 million per day.

This sounds impressive. But under 10% of the world population has been vaccinated. The wealthiest 27 countries with 11% of world population have administered over 40% of all vaccines. Sir Jeremy Farrar, Director of Wellcome Trust, a pre-eminent epidemiologist who leads one of the largest health charities in the world, speaks eloquently of the need "to vaccinate the entire world".

> the wealthiest 27 countries with 11% of world population have administered over 40% of all vaccines

It takes time to vaccinate the entire world, even before accounting for vaccine diplomacy and inequality. Manufacturing interruptions and vaccination infrastructure challenges will retard progress. Societies will adopt to acceptance of vaccination at differing rates.

Vaccines will at times fail to meet public expectations of safety and efficacy (however high and unrealistic these expectations may be). Vaccine diplomacy will also play a considerable role in outcomes.

The downsides are obvious. To date much of the debate has been around the Astra Zeneca ('AZ') vaccine and potential side effects. Most recently, health officials in China have questioned efficacy rates for their own vaccines. The one dose vaccine developed by Johnson and Johnson has also attracted attention on safety grounds.

Many of these concerns are genuinely felt and well documented. Yet equally, the diplomatic prize of being a dominant vaccine supplier may fuel disinformation campaigns as we have already seen with cyber based attempts to discredit specific vaccines.

More to the point is relative cost. The deal struck between the University of Oxford and AZ was for supply to end-customers at cost until the WHO declared the pandemic stage of COVID-19 over. Such cost has been widely reported as around $4 a dose. By contrast, press reports suggest that Chinese vaccines are selling for $9-10 a dose and that Pfizer and Moderna vaccines can cost up to $30 a shot. Taken at face value, therefore the recent decision by the African Union to eschew AZ must involve extra costs for purchase, running into many billions of dollars. It remains to be seen how far the UN based Gavi alliance and its Covax program can fill this gap. Either way fiscal stress is liable to increase rather than decrease in our markets if less expensive vaccines are jettisoned.

The harrowing tragedy of India's second wave has also impacted global vaccination rates. Onshore manufacturers in India are focussing on supplying the domestic market. As such they are unable to meet previously contracted requirements. Sadly this shortfall is felt in poorer countries not least because of the supply shortages being felt by the Covax program.

All of this matters hugely for the countries concerned and more broadly for global economic recovery. Face-to-face services, including tourism, will not fully recover until travellers and host countries acknowledge reciprocal levels of 'safety', read vaccination levels. Likewise, it would be surprising to see a sustained upturn in global fixed capital formation given material supply overhang in many industries. All of which leaves households and Governments to take up the slack. The household sector in developed countries has had a huge wealth transfer through fiscal action and a rise in enforced savings and can be counted on to drive demand in the next 12-24 months, albeit constrained by rolling lockdowns. Governments are however tapped out.

Whilst it will be a rare country that does not post higher 2021 growth given base effects, recovery to anything approaching 2019 activity levels seems a remote hope for at least 1-2 years minimum for all but the USA and China. IMF estimates do not see pre 2019 trend growth rates being regained until at least 2024 or beyond for most emerging countries.

Exhibit 1: General government fiscal overall balance, 2016-26 (% of GDP)

					Projections						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
World	−3.5	−3.1	−3.0	−3.6	−10.8	−9.2	−5.4	−4.4	−4.0	−3.9	−3.7
Advanced Economies	−2.7	−2.4	−2.5	−2.9	−11.7	−10.4	−4.6	−3.2	−3.0	−3.0	−2.8
Emerging Market Economies	−4.8	−4.1	−3.8	−4.7	−9.8	−7.7	−6.7	−6.1	−5.6	−5.2	−4.9
Low-Income Developing Countries	−3.8	−3.5	−3.4	−3.9	−5.5	−4.9	−4.4	−4.0	−3.8	−3.7	−3.7

Source: IMF Fiscal Monitor April 2021

It's mainly fiscal

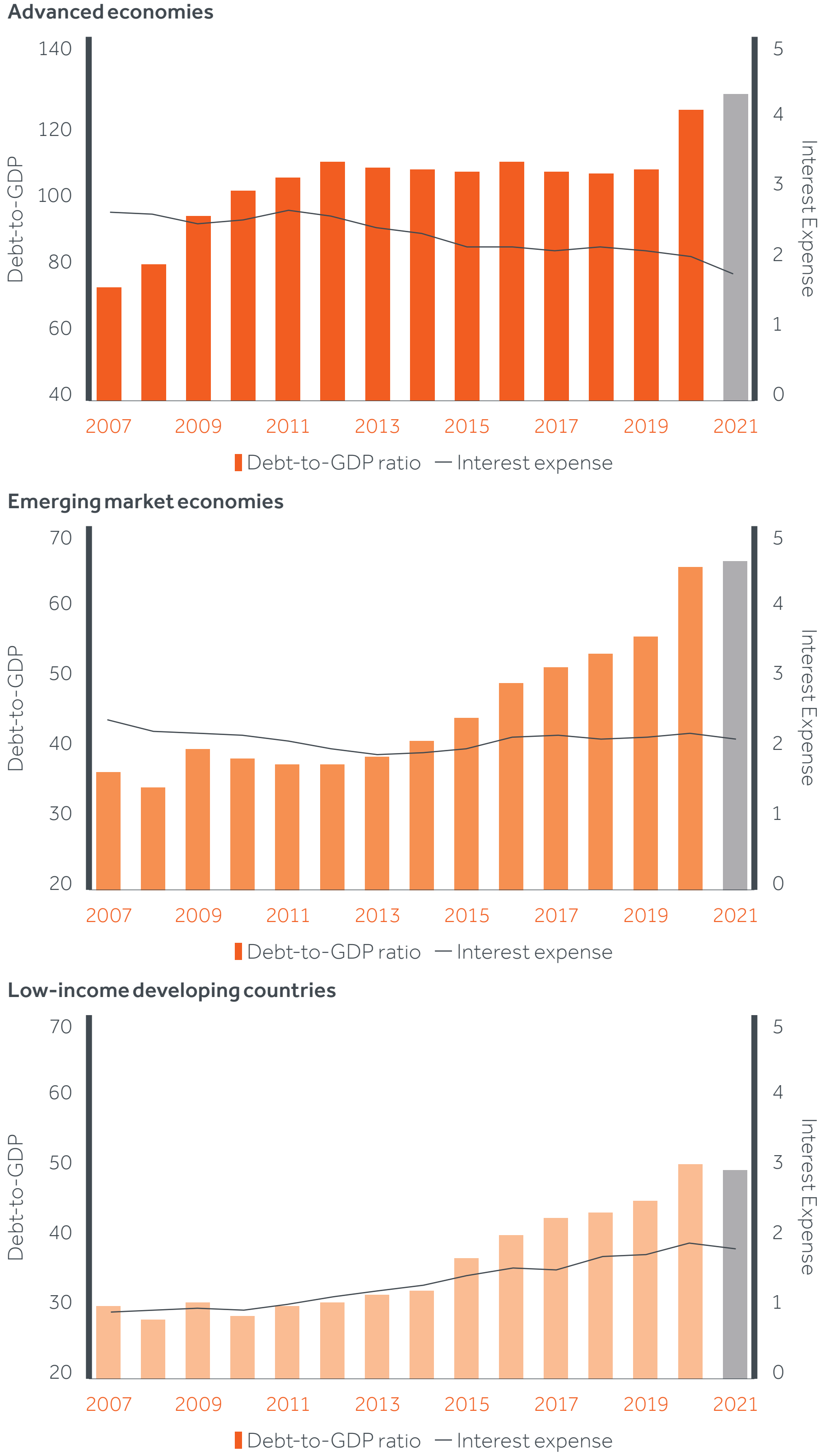
COVID-19 has been an income and expenditure shock - and in combination significantly larger than one would normally expect in a 'normal' business cycle. The resulting deficits were enormous in 2020 and whilst lower in the next 2-3 years, will still see debt stock rising.

As a result, indebted economies are increasingly vulnerable to rises in rates, changes in commodity prices, rising corporate bankruptcies and revenue collection risk. As Exhibit 1 suggests, advanced economies are more indebted than Emerging Markets, but this partly reflects the relative depth of domestic financing systems. The legacy of a long period of declining rates means it will take some time for these issues to crystallise, but it is worth looking at Exhibit 2 and remembering that if revenues are 10-15% of GDP and debt service costs rise from 2 to 3% of GDP, this means that 20% of revenues are being used in debt service.

Debt management strategies under such circumstances often involve shortening duration resulting in increasing rollover risk. As an example, Brazil has seen the average duration of Government debt drop from 3.6 years to 2 years since 2018, largely due to debt management strategies in 2020. The heavy reliance on domestic funding has driven the BRL onshore bills to bonds spread up by 500 basis points in recent months, materially increasing the cost of funds for the private sector.

One bright spot for a number of developing economies of course is the rise in commodity prices seen this year. In turn, this reduces but does not eliminate fiscal deficits given that the yield on minerals royalties net of collection cost is far superior to other indirect taxes. So, oil based economies in the Middle East have had some respite with an oil price nearer $70 a barrel than $30. Similar dynamics exist in Nigeria and Colombia, whilst rallying industrial metals prices are alleviating the worst impacts in Peru, Chile, Brazil and South Africa, at least for now.

Exhibit 2: Interest expense and government debt, 2007-21% of GDP



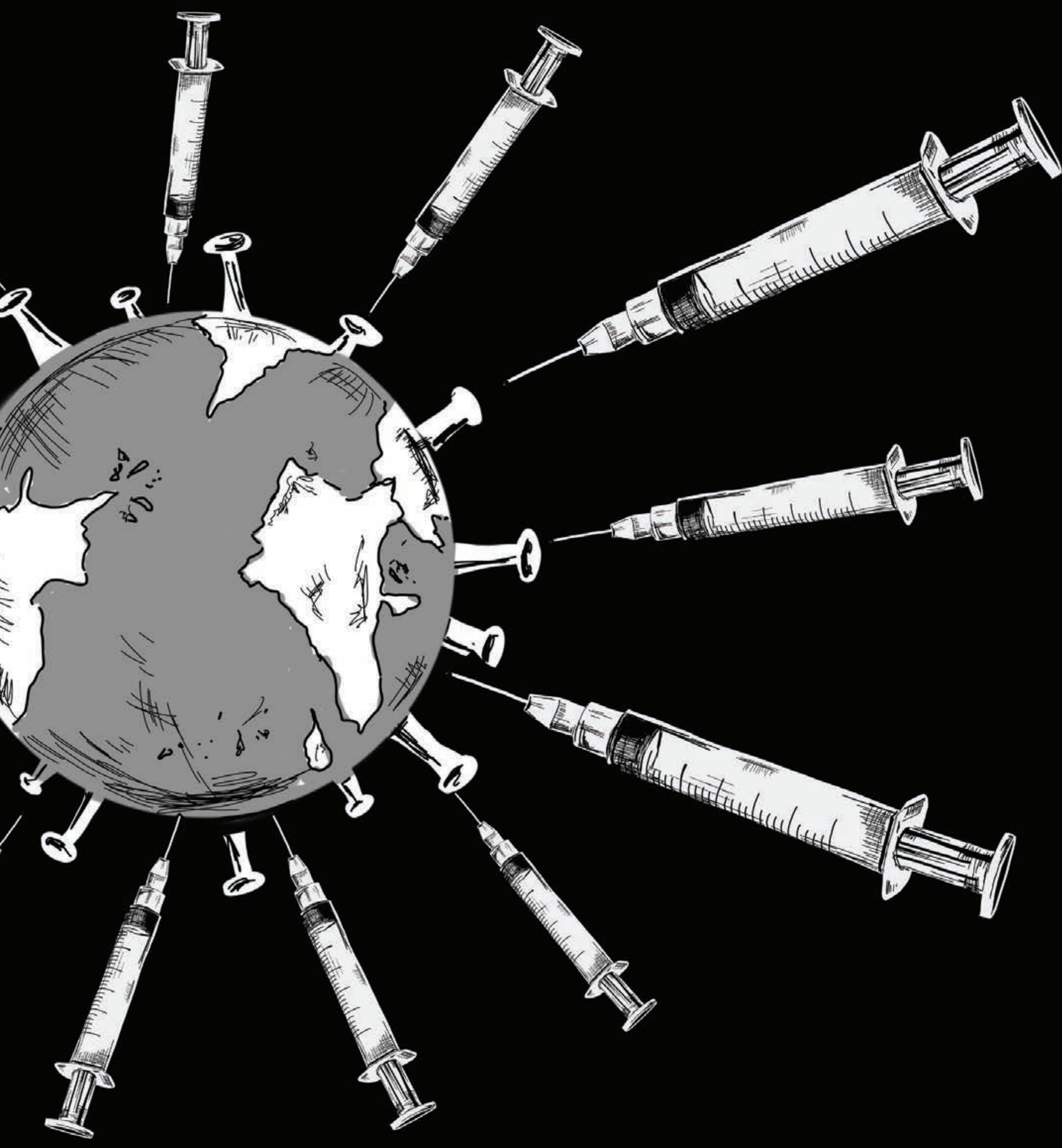
Source: IMF Fiscal Monitor April 2021

Counting currencies

A year ago, many currencies were in free fall. Material declines in current account deficits backed up by the actions of the Federal Reserve in opening dollar swap lines have reduced much of this risk. But significant risk pockets still exist, and our research suggests that policy instability - for instance in Turkey and Brazil - can still lead to material currency declines. An increase in global risk appetite, allied to domestic reforms which incentivise private sector risk taking, would help.

In short, we see fiscal dynamics as the current 'Achilles' heel' for Emerging Markets countries. East Asia and India have limited exposure to these risks, reflecting long duration funding and strong domestic buffers. These risks increase as one travels West and South with epicentres in Brazil and to a lesser extent Nigeria. Currency risks still exist (not least because of the rallies from oversold positions a year ago) but these can be linked to country specific issues rather than across the board.

"Vaccinate the entire world"
Sir Jeremy Farrar, Director of Wellcome Trust



Actis Asks: COVID-19 Survey 2.0

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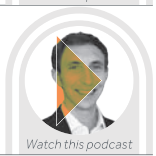


Actis surveyed the senior leadership of its portfolio companies and its own professionals in early April 2020 to understand what was top-of-mind regarding COVID-19. A year on, we have re-run the survey to see how perspectives have changed.

In our survey last April, we had 113 respondents. This year's survey had 178 respondents. Any direct comparisons against data from last year are made with the caveat that the survey population is different.

Introduction

One year ago, our survey indicated that while concern levels were growing, more than half (51%) of respondents were either neutral or not concerned about the impact of COVID-19 on their businesses. Since then of course, COVID-19 has caused nearly three million deaths and infected many hundred million people globally. Official case numbers are passing through 140 million as we write, but public health experts put the real toll at several times that level.

One year ago, many were describing the threat as "confined to China"; and yet while North America and Europe have accounted for more than half the global death toll, China has reported just 4,841 deaths at the time of writing. Latin America alone has recorded over 850,000 deaths.

Governments and leaders have taken different approaches to managing the virus, some imposing strict regional and national lockdowns, others dismissing it outright.

President Trump famously described the virus as "a hoax" and prompted widespread condemnation for suggesting that injecting detergent into the body could kill the virus; meanwhile, the late President Magufuli of Tanzania denied the virus posed any threat and insisted that inhaling steam and eating potatoes could cure COVID-19. By contrast, Australasian leaders adopted stringent lockdown measures early on and have seen very limited case numbers. Ignoring or dismissing COVID-19 has to date not proved to be a roaring success.

Vaccines have arrived in record time, but at the same time new variants have arrived and spread, causing second and third waves around the world. Countries and politicians are racing against the virus – and each other – to vaccinate their populations in an effort to bring an end to the pandemic.

But how long will it take? When will it end? And how will life be different post-pandemic? Our survey sheds some light.

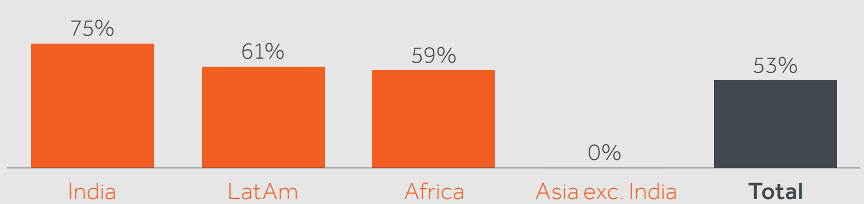
The end is in sight – or is it?

While news of the vaccine has brought hope, more than half (53%) of all respondents report that the situation in their country is "About the same", "Somewhat worse" or "Much worse" than it was 6 months ago.

This sentiment varies wildly by region: in India, 75% of respondents describe the situation as the same or worse than 6 months ago while in East and North Asia, it is the complete opposite, with 100% describing the situation as "Somewhat better" or "Much better".

This survey was undertaken before the tragic and dramatic rise in India case rates and deaths.

% of respondents describing situation as about the *same* or *worse* vs 6 months ago

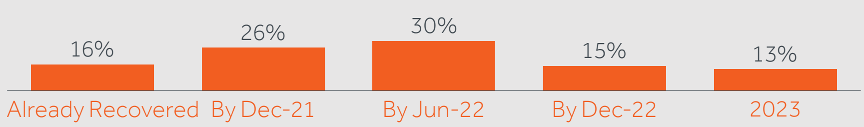


% of respondents (n = 178)

The majority (84%) of all respondents believe major lockdown restrictions will come to an end by December 2021, a view that is fairly consistent across all regions. In Asia (including India), 20% of respondents believe restrictions will continue into 2022.

In terms of how this translates into business recovery, most expect a lag of about one year, with 87% saying that they anticipate levels of activity in their businesses to recover to pre-pandemic levels between now and December 2022.

Thinking about your business, when do you expect overall activity (demand / financial performance) to return to pre-pandemic levels?



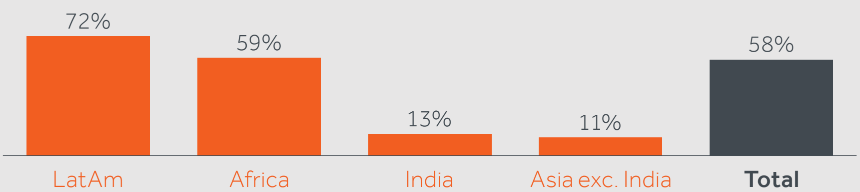
% of respondents (n = 178)

Mixed views towards response

There are mixed views as to how the pandemic has been managed.

In Asia (including India), 73% of respondents "Agree" or "Strongly agree" that the pandemic has been well managed. The opposite is true in LatAm however, where 72% "Disagree" or "Strongly disagree".

Disagree or *strongly disagree* that "the pandemic has been well managed"



% of respondents (n = 175)

When asked about the adequacy of fiscal support and stimulus measures, 78% of respondents in Asia (excluding India) "Agree" or "Strongly agree" that they have been adequate; in India, 53% "Agree" or "Strongly agree" while in Africa the opposite is true, with 58% saying they "Disagree" or "Strongly disagree".

Throughout the pandemic, there has been a thirst for information about the virus, how to protect against it and how plan around it:

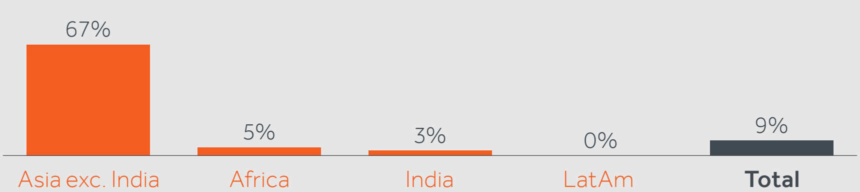
– In Asia (including India), 88% of respondents "Agree" or "Strongly agree" that "information and advice about the virus has been clear and timely". This figure is 64% for Africa while in LatAm 67% "Disagree" or "Strongly disagree" with the statement
– In the same vein, LatAm respondents don't feel comfortable with the information and advice they have been receiving, with 61% saying they "Disagree" or "Strongly disagree" that "information and advice is trustworthy" (compared to 23% in Africa, 13% in India and 11% in Asia excluding India)

Many feel let down by a lack of clear guidance around recovery milestones and timings. Only 35% of respondents globally "Agree" or "Strongly agree" that such guidance has been given. This figure is as low as 6% in LatAm, compared to 25% in Africa, 44% in India and 67% in Asia (excluding India), where the sentiment around how the pandemic has been managed is generally more positive.

Lackadaisical lockdown

Adherence to advice and regulations (such as lockdown measures, social distancing guidelines and curfews) has also been mixed. In Asia (excluding India), 67% "Strongly agree" that advice and regulations have been adhered to in stark contrast to LatAm (0%), India (3%) and Africa (5%).

Strongly agree that "advice and regulations have been adhered to"



% of respondents (n = 178)

Vaccine rollout

Perhaps most especially in markets where lockdown measures aren't respected, vaccine rollout and uptake will be key to ending the pandemic.

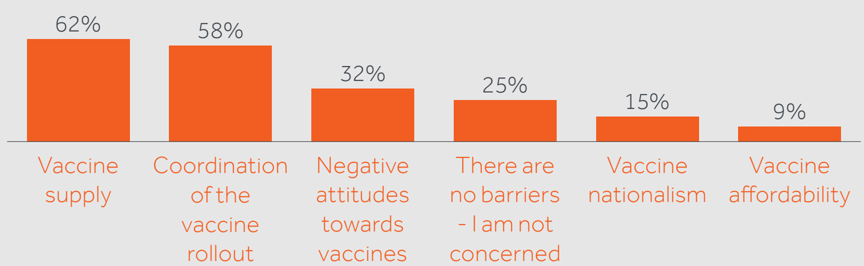
But there are concerns around the vaccine rollout in many markets:

- In Africa and LatAm, 59% and 39% respectively describe vaccine availability as "poor"
- In Africa, 1 in 4 respondents believe it will take until 2023 or 2024 to vaccinate the majority of the adult population (while in all other regions more than 9 in 10 believe this milestone will be achieved by the end of 2022)

When asked about barriers to vaccine rollout:

- "Vaccine supply" is identified as the main barrier
- This is closely followed by "coordination of the rollout"
- In third place is "negative attitudes towards vaccines (e.g. health concerns, mistrust, preference for natural immunity)"; notably in India this ranks second, with 56% of respondents ranking this among the top-2 barriers

There are practical and human challenges to getting large populations vaccinated



% of respondents identifying barrier as a 1st or 2nd choice (n = 178)

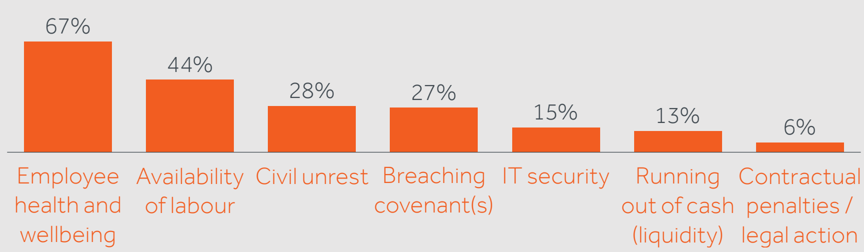
So although vaccines have been developed, there remain practical and human challenges to getting large populations vaccinated.

Concerns

"Wellbeing recession" followed by financial recession

In the short-term, there is widespread concern for employee health and wellbeing, with more than 2/3 of respondents ranking this as their #1 or #2 concern. Availability of labour (especially in India) is also a major concern.

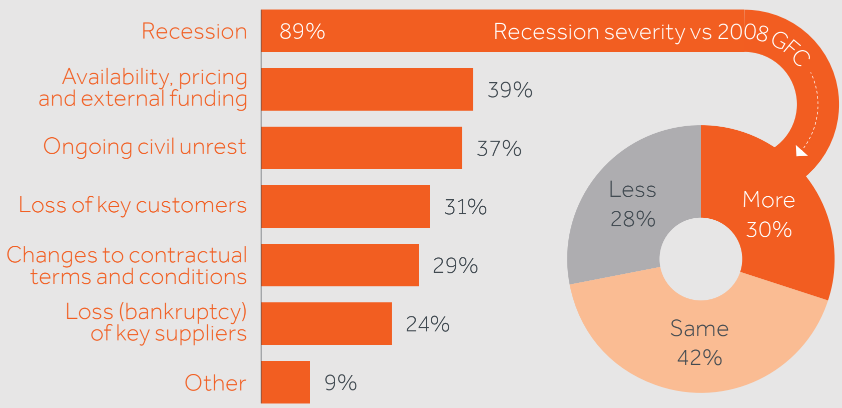
Employee health and wellbeing stands out as a major area of concern



% of respondents selecting the issue as either their #1 or #2 concern (n = 178)

Longer term, the fear of a recession on a par with, or worse than, the global financial crisis looms large with 89% of respondents citing "Recession" as one of their concerns (vs. 96% last April); among these, 30% believe a recession will be more severe than the global financial crisis of 2008 (vs. 65% last April).

There remain widespread fears of a recession



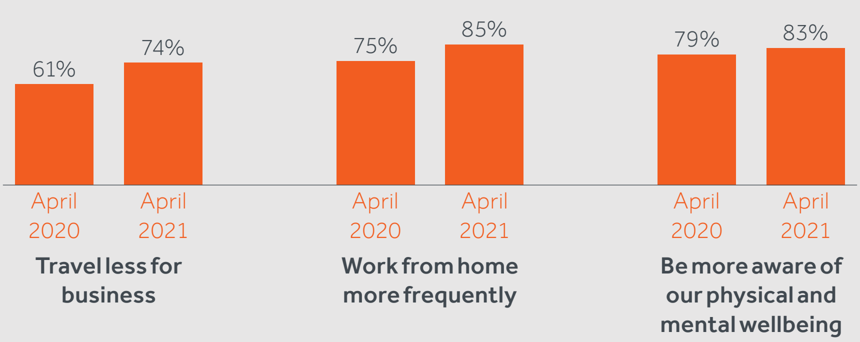
% of respondents selecting the issue (n = 178)

New ways of working

We have all experienced significant change since the start of the pandemic and while in the long-term the pandemic will be temporary, many of the changes it has brought about will be permanent:

– Business travel: 74% of respondents globally "Agree" or "Strongly agree" that we will travel less for business when this is over (note that when we ran the survey last April, this figure was significantly lower, at 61%)
– Working from home: 85% believe that we will work from home more frequently (vs. 75% last April)
– Wellbeing: 83% of respondents believe we will be more aware of our physical and mental wellbeing (vs. 79% last April)

Growing conviction around the changes to our ways of working and wellbeing



% of respondents (n = 178)

Source: Actis COVID-19 Survey (April 2020 and April 2021)

Among portfolio company management team respondents, there has also been a shift in mind-set brought about by the pandemic:

– Resilience: 62% of portfolio company management respondents "Agree" or "Strongly agree" that they will have stronger, more resilient businesses (e.g. leaner cost bases, more efficient capex and other spending, improved margins and cash flow generation) after the pandemic
– Local supply chains: 49% of portfolio company management respondents "Agree" or "Strongly agree" that they will favour local supply chains over lower-cost global sourcing (vs. 44% last April)

Attitudes towards climate change also appear to have shifted, with 60% of all respondents agreeing or strongly agreeing that we will see stronger global cooperation to tackle climate change, compared to 50% last April.

Less encouragingly, more than half (52%) of all respondents predict increasing inequality (e.g. education, gender, income, access to public services).

Conclusion

As the enormous task of vaccinating the world gathers pace there are, as ever, political and human barriers to overcome. As this survey highlights, there are stark differences in behaviour, approach and opinion around our markets. Understanding these issues is hugely beneficial to Actis and our portfolio company management teams as we navigate the pandemic, sharing and learning as we go. Wellbeing is a major challenge and while financial statements may be signalling resilience, a wellbeing deficit may take longer to address.

The authors are both members of the Actis Value Creation Group (VCG), which brings professional expertise and works alongside management teams and Actis' investment professionals to maximize the value of our portfolio companies. It identifies areas of improvement for each business and is involved from the pre-investment and due diligence stages right through portfolio management and exit.

! *Click here for a full slide deck with more granular analysis*

Guest View: The Impact of COVID-19 on Gender Inequality in the Growth Markets

Dr Clare Wenham

Assistant Professor of Global Health Policy, London School of Economics

The cost of the COVID-19 pandemic continues to rise. Millions of people have lost their lives; many more of them have been thrown out of work thanks to the economic damage the virus has caused. And while there are some signs of improvement in those countries which have been able to vaccinate their populations quickly, for many others, particularly in low and middle income regions of the world, the future remains uncertain.

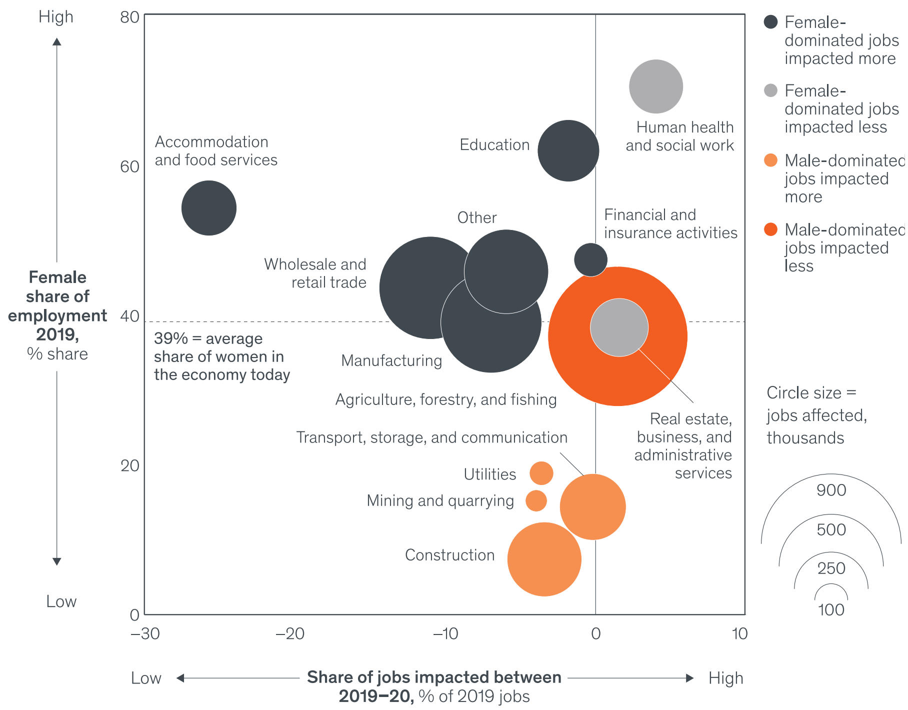
One particular victim of the virus has been the drive for greater gender equality in emerging economies. Our research has looked at how epidemics - not just COVID-19, but earlier examples such as Ebola and Zika – affect different groups in society. What we have found is that these epidemics cause universal increased gender inequality. Many of the issues are even more pronounced in the Emerging Markets.

Epidemics tend to increase existing gender inequalities in two separate ways: by disproportionately affecting women's health and physical wellbeing, and by exacerbating the economic disadvantage they face.

In terms of the impact on their physical wellbeing, the dislocation to health systems caused by countries switching more resources to the fight against COVID-19 has impacted women in particular through disruption to maternity services and reduced access to sexual and reproductive healthcare. This leads to increased maternal and neo-natal mortality. In addition, 70% of the healthcare workforce globally are women, which means they are more likely to be suffering from the burnout and mental health concerns that the virus has caused. Meanwhile there has also been a trend towards increased domestic violence, particularly in countries such as Brazil and Colombia. Indeed in some places,

Exhibit 1: Women are disproportionately represented in industries that are expected to decline the most in 2020 due to COVID-19

World employment impact in 2020



Source: McKinsey, COVID-19 and gender equality: Countering the regressive effects, July 15 2020 International Labour Organization; McKinsey in partnership with Oxford Economics; McKinsey Global Institute Analysis

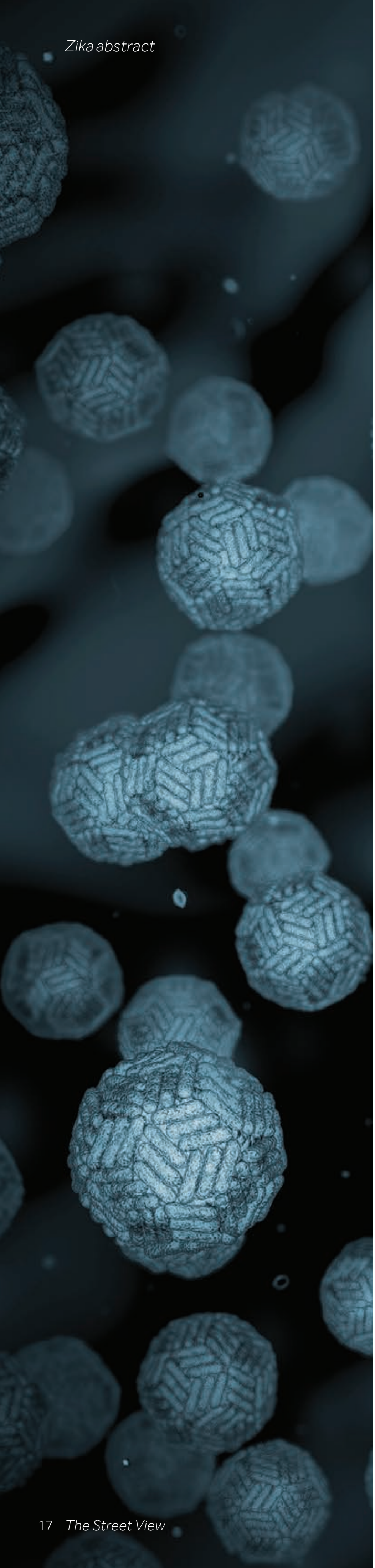
particularly in the most economically-insecure areas, research suggests this has risen by 600% over the last year.

Globally we have seen an increase of more than 100 million women living in extreme poverty over the last 12 months. Women are picking up much of the costs which have come through the shutting down of routine life; taking on unpaid additional care work for example thanks to the closure of schools and offices. This is a particularly acute problem in low and middle income countries due to the high proportion of women who work in the informal economy, which has often been more adversely affected than the formal one. The fact that people who work in the informal economy are less able to access Government social protection only worsens the outcome.

Why is it women who tend to pick up this unpaid work? There are three main factors driving the trend:

1. the sectors they work in;
2. the entrenched gender norms across many of the growth markets; and
3. the gender pay gap.

First, women are more likely to work in sectors that have been disproportionately shut down by the virus, such as retail, hospitality and tourism. Since their jobs no longer exist, they are most likely to be the ones taking on the increased domestic burden. Second, entrenched gender norms mean women are more likely to be seen as being the ones responsible for domestic work. This has been compounded by COVID-19: research shows that existing norms tend to become more conservative during times of crisis. And third, the gender pay gap means it makes more sense economically for women – who in low and middle income


Zika abstract

economies are much more likely to earn significantly less or work significantly fewer hours – to remove themselves from the jobs market.

In some parts of the world, however, there are factors which mitigate this problem. In countries where people are more likely to live in multi-generational households, such as the Indian sub-continent, there is often a support structure in place to allow more flexible care arrangements which means women can continue to work. However, this obviously raises its own issues because it means potentially exposing more vulnerable people to the virus. The added risk of exposing elderly relatives to COVID-19 means this can be a difficult trade-off for families to make.

It isn't just working-age women who are being affected disproportionately by COVID-19. The closure of schools due to the virus is also having a particularly negative impact on adolescent girls, most notably in sub-Saharan Africa. These girls take on much of the household and domestic labour to allow their mothers to go to work. The bigger problem is that too many of them will never go back into education: the history of previous epidemics, such as the Ebola outbreak in west Africa in 2014-2016, suggests dropout rates among teenage girls remain high even after epidemics have been contained.

Indeed looking at past epidemics highlights just how bad their long-term impacts are on getting women into – or back into - the workforce in the growth markets. A year after the Ebola crisis ended, 67% of men were back in work, compared with only 17% of women. And following the Zika outbreak in Brazil, 95% of women with babies born with Congenital Zika Syndrome are still out of work five years later. The fact that epidemics disproportionately affect women is therefore nothing new.

How can we start to effect change? The good news is that the scale of the COVID-19 pandemic has increased awareness of these issues, and people are starting to pay attention. At the global level, the United Nations, the World Health Organization and the G7 for example are having conversations about the subject. It is now on the agenda of international policy makers.

However, we have yet to see the focus on the agenda lead to meaningful change at the national level, which is where most of it needs to take place. Where we have seen Governments in growth markets engage, it tends to be in terms of improving maternity care provision and making efforts to reduce domestic violence. While these are both extremely important, they do not address the wider problem, which is getting more women into the workforce. This, after all, does not just resolve an issue faced by women: it also supports the wider economy. Governments struggling with stretched finances need data and examples to point out the trade-off between longer term developmental issues and short term fiscal strain.

While some high-income countries are tackling this by increasing child support and improving paid parental leave, not enough is being done in fiscally-stressed low and middle income countries. In particular the focus needs to be on ensuring better childcare and retraining women for the jobs that will exist in the post-COVID-19 world. Investing in childcare for example, leads to a broader knock-on stimulus throughout the economy, as more women go back to work, and earn money to pay for services which in turn creates more jobs.

What is the lesson for investors from all this? They should constantly ask the companies they invest in how equal their workforce is at all levels throughout the business, what they are doing about gender parity, and what training they offer to women to help them access their jobs. It is about fostering culture change in many of these places; it is about making opportunities available to women at the same rate as they are available to men. Investors need to look beyond the financial returns and look at the impact of their investments on society. Investors have a responsibility to support these changes, to help overcome the inequalities that the virus has so clearly exposed and exacerbated throughout the world.

The Shadow Pandemic

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From its beginning in March of last year we have reported that this pandemic, like those that have come before, has accelerated inequality across the globe. This includes inequality in terms of wealth, income, gender, race and other dimensions. The data tells us that this trend is continuing, in fact accelerating, and this is happening in both the developed and developing world.

As we face yet more surges of the virus (in Latin America, India and some European nations), inequalities will only deepen. The uneven rollout of vaccines globally means that this pandemic is far from over; Bloomberg reports that roll out in high income countries are 25x those in the lowest income economies. Even where vaccine supplies are secured and distribution systems are effective, there remain question marks about likely take up and efficacy levels – in some markets, this will be hampered by safety concerns, traditional belief systems and Government mistrust.

In this pandemic, women have been disproportionately negatively impacted for multiple reasons. They are more likely to work part time, to work in frontline jobs in health and education and therefore be more exposed to the virus. They are more likely to give up their careers where they are not 'bread-winners', they carry the out the lion's share of unpaid labour performing childcare/family duties, and the data shows that gender-based abuse and violence has increased during this period. In advanced economies, data shows that women have borne the brunt of household duties and homeschooling, and in turn they feel more stressed and burnt out than their male counterparts. In emerging economies, the pandemic has meant those women working in the informal economy have seen their incomes plummet. In the previous article, Dr Sarah Wenham of the LSE looked into this in more depth.

Those who are less socially mobile, from minorities, are lower-skilled or simply marginalised in society are also more negatively impacted. In India, we are currently witnessing a mass 'reverse migration' as workers flee cities to return to rural homes. Being jobless and with little to no savings, they are left with little choice but to return home. Remittances have dropped significantly according to the Indian banks. The impact of prolonged crises, such as this one, means that people are less able to recover and are more vulnerable to future shocks. It is a situation that raises the spectre of civil strife.

In parallel, we are seeing the acceleration of automation and digitalisation which further threatens to displace low-skilled, manual roles.

> In this pandemic, women have been disproportionately negatively impacted

What can investors and businesses do to mitigate the negative consequences?

At Actis, we have a hands-on, partnership-based approach with our portfolio companies. We have continued to focus heavily on supporting our companies throughout the pandemic, including hosting frequent sessions on knowledge exchange and best practice so company management can share experiences, insights and practical lessons.

Our companies have doubled down on:

- Health and safety protocols at places of work, including testing regimes, distancing, PPE, isolation facilities, altered shift patterns, extra medical and mental health/ wellbeing support;
- Supporting communities near and around our businesses with essentials (sanitation and medical supplies);
- Providing clear, accurate information regarding the virus and how to minimise transmission (to combat lack of information and deliberate misinformation), including targeted campaigns at women in the community recognizing infection risks are greater outside the workplace;
- Community investment funds are recalibrated to focus on income generating activities. Babilonia, our wind generation platform on Brazil, was able to double household income in the last year from egg production and honey manufacture;
- Hiring and upskilling women. Atlas, our LatAm solar generation platform, has successfully trained 800 women to install solar panels;
- Mental health and wellbeing support. The majority of our companies have developed wellbeing programs for workers. Some are offering online sessions with doctors and psychologists to workers, their families and wider community members. Most are considering this as an enduring component of their employee proposition, given rising concern over stress levels and burnout risk; and
- Looking ahead, the majority of our companies are also rethinking agile working patterns fit for the future.

This pandemic demands that all companies put into practice their commitment to creating equitable, diverse and inclusive workforces. This not only helps to build businesses that are more resilient, but also more valuable. At Actis, we believe that values drive value – there is no time like the present to demonstrate these values.

Clients and COVID-19

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Just over a year ago, we were preparing for our 2020 Annual meeting. This would be my eighth Annual meeting, so I felt lulled into a sense of *deja vu*. Preparations were proceeding apace, and we were pleased with progress. We were in the market with two products and all the Actis team were energised by the prospect of our flagship event.

Then reality shunted home. COVID-19 burst upon the scene, although we had some early warning through our private equity portfolio companies in China. As February unfolded, it became obvious that this situation would not right itself overnight. On the contrary, the COVID-19 pandemic has proven to be resilient, but not in a good way. Over the course of the past year, we have seen the devastating impact that it has wrought on economies, communities and literally billions of hopes and lives.

I thought that it might be helpful to reflect on what COVID-19 has meant for my team and Actis' clients from our vantage point. Without doubt, it has been a challenge, but equally I have seen our teams and clients respond brilliantly. I have distilled five lessons that this pandemic has taught me, and I wanted to share them with you all.

Lesson 1

Never underestimate the benefit of being in front of clients when times are tough

1

We did so even as the proverbial mud-hit-the-fan in March and April, as we were working hard just to understand the scale and scope of the impact. Our investors thanked us for doing so – especially for the candour that we brought to those discussions. We were all in the dark together which made communication essential.

Lesson 2

Be willing to adapt

2

In one particular case, clients were struggling to cope with not being able to do site visits as part of their due diligence. We responded by bringing sites to our investors instead – literally a virtual video site tour! The virtual tours at the Taiba wind farm in Senegal and Temple Stay retail/hotel mixed use development in Seoul proved some of our 'best sellers' in the data rooms. We also learnt a lot about video call etiquette not least the stress felt by many crammed into small rooms at home with children and dogs as a (welcome) distraction.

Lesson 3

Understanding what is most important to your clients and do that first

3

Clients needed information on valuation 'hits' first, then soon after information on liquidity and other stresses. We responded, but also were transparent on the human cost of the virus. We launched a COVID-19 survey of our teams and portfolio companies – and made the results available to our LPs. These surveys continue, as they have proven incredibly valuable in transferring best practice.

Lesson 4

Momentum in fundraising matters, in this type of situation, even more than ever

4

We never lost discipline about building interest and converting our LPs. We met our targeted initial close in the midst of the pandemic. We remained disciplined and focused on meeting our goals despite the challenge of not meeting clients in what is still a relationship business. Relationships matter, but institutional resilience and consistency is what separates GPs in these sorts of circumstances.

Lesson 5

Be generous and warm in your praise of teams and clients when the impossible becomes achievable

5

None of what we achieved in 2020 would have been possible without an incredibly dedicated and disciplined team and a set of clients who consistently delivered in a watershed (tough) year. My humble thanks to all.

Giving to Our Communities

Shami Nissan

Actis Acts
Trustee

www.actisacts.org

Murray Grant

Actis Acts
Independent Trustee

www.actisacts.org

Actis Acts is Actis' foundation supporting charitable activities linked to Actis investee companies, local charities and humanitarian crises affecting regions where Actis operates. It embodies our values by seeking to leave a positive and sustainable impact on the communities surrounding our investments. To date, we have committed c.US700,000 into 12 projects.

From immediate need to long-term solutions

The pandemic will leave many lasting marks on communities worldwide, but one legacy could be smarter charitable programmes and improved approaches to philanthropy.

COVID-19 has wrought economic disruption in ways that ripple out for years to come in many of the world's most vulnerable communities. Yet this pandemic has the potential to shift attitudes and actions permanently in a way that hasn't happened with previous new disease outbreaks, such as the spread of Ebola across the African continent.

The pandemic's effects on the communities our firm touches have underscored the importance of investee company community spending programmes as well as of Actis Acts, our foundation that supports charities linked to portfolio companies, partner charities that operate on our markets and those nominated by our staff. At a time when management teams have needed to focus primarily on stabilising their businesses and keeping staff and their families safe, our support has helped portfolio companies meet the growing needs of stakeholders and the wider community.

Mobilising support for COVID-19 response

Over the past year, much of the community spending and Actis Acts funding has naturally focused on pandemic-related responses. With schools largely closed, for example, funding has been reallocated from buying physical equipment for students such as bags and desks and towards immediate needs that are focused on the specific issues faced in each of our markets and locations.

Through their community spending programmes, our energy infrastructure platforms, for example, provided sanitation kits for communities that included buying water in places where this was not available – there is little point in providing soap if people have no way of washing their hands, after all. One of our platforms, Azura, offered training and materials to help local people make soap using local products and then to package, market and sell it, an initiative that meets current demand while also providing long-term income sources for families. Other work supported by Actis has involved supplying fabric to local seamstresses to make face masks for distribution to portfolio company employees and surrounding villages, offering psychological support through virtual platforms for bereaved families and – vitally – running campaigns to counter dangerous misinformation around the disease.

Scaling up impact

Another initiative established by Actis portfolio company Food Lover's Market, a South African supermarket, also offers an example of how charitable activity can be made smarter. The business has a long-standing partnership with Food Forward, a leading food bank in South Africa and it has also joined forces with the Kolisi Foundation, which was established by Springbok rugby captain Siya Kolisi and his wife Rachel in March 2020 to address food insecurity in the poorest South African communities.

By encouraging customers to buy food items to donate that are then matched by its suppliers, FLM is managing to scale up its impact, in conjunction with funding and support from Actis Acts, to feed more families. Since the start of the pandemic, Food Forward has increased its beneficiaries from 200,000 a day to 400,000 and it can now grow this further. Actis Acts and FLM are providing food and funding to the Kolisi Foundation to help it scale up and it has exceeded its initial target of feeding 1,000 families for a three-month period to provide 7,350 people each month.

The challenge ahead

Yet more funding is clearly needed to address many of the pandemic's effects. The fact that COVID-19 has had some kind of impact on pretty much every person in the world has shone a spotlight on a whole range of inequalities, from income through to gender and race. This increased understanding of people's very different life chances and experiences has the power to galvanise more people into action, in particular as the pandemic has hit charitable fundraising hard.

We're seeing this already. Management teams and employees are now thinking more holistically about what the role of business is and should be. Companies now recognise more than ever that profits should be accompanied by value for wider stakeholders.

We are also starting to see changes in the way that investors, such as family offices, are considering philanthropy. There is a growing recognition that one-off giving, while helpful, is less effective than more structured, long-term programmes that tend more towards investing. This is gathering speed as younger family members, who tend to be far more aware and less accepting of inequalities than previous generations, start to take the reins. There is a growing movement towards investing in private equity-style funds in developing economies that can offer relatively low-risk returns in the order of around 5% to 6%.

This may not be a model for the more mainstream investments of, say, a pension fund, but if a pool of capital dedicated to philanthropy were set aside, this could mobilise billions of dollars to improve the lives of some of the most vulnerable populations in the world.

The pandemic has clearly necessitated an immediate response to alleviate hunger, improve sanitation and counter misinformation. Yet there are grounds for hope that it will also engender more thought around how to tackle inequality over the long term alongside patient and highly targeted capital.

Siya Kolisi and his wife Rachel delivering food to vulnerable South African communities

Street View

COVID-19 Chronicles Revisited: China

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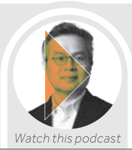

Well, we're the band

We are over a year into the COVID-19 pandemic and the global community still confronts extreme social and economic strain. Yet, even with uncertainty about the path of the pandemic, a way out of this health and economic crisis is increasingly visible.

China has mobilised fiscal, governmental and monetary resources to effect a steady recovery from the fallout of the COVID-19 outbreak a year ago. Growth in one part of the world facilitates growth elsewhere and IMF estimates suggest the PRC will be the single largest direct contributor to global growth in 2021.

Rather than diving deep into the macro data widely available on Google, let's have some quick takes on the songs we are playing.

40 face masks for everyone in the world

Production in China gradually recovered from the second quarter of 2020 as the economy reopened. Demand for masks, hospital suits and gowns, ventilators and other pandemic-related goods was a key driver of China's record export performance in 2020, along with computers and other work-from-home equipment needed for locked-down populations around the world. Factories in China exported 224 billion masks in 2020, almost 40 for every person in the world outside of China.

Tesla, outward bound from China

Tesla's super factory in Shanghai officially resumed production on 10 February 2020. In parallel to the pandemic, the Shanghai plant continued expanding its production capacity to nearly 450,000 vehicles in 2021. On 26 October 2020, the Tesla Model 3 passed all the certification requirements for entering the European market and was officially exported to Europe, including Germany, France, and Switzerland.

Tesla's emerging rival, Xpeng, has made its first exports to Norway in 2020, with the first 100 Xpeng G3 electric sport utility vehicles being delivered to customers there.

Double 11 hit record high

Chinese e-commerce giants Alibaba and JD.com have set new sales records for 2020's "Double Eleven" shopping bonanza as the two online retailers have extended the sales window for the shopping event to drive up consumption crippled by the COVID-19 pandemic.

During the shopping festival that ran from November 1 to November 11, Alibaba generated 498.2 billion yuan ($74.1 billion) in gross merchandise value, which rose sharply from 268.4 billion yuan a year ago. 250,000 brands participated in the shopping carnival, about 31,000 of which were from overseas, with livestreaming becoming a key marketing tool for vendors. Meanwhile, JD.com logged 271.5 billion yuan in transaction volume for the 11-day period, compared with 204.4 billion yuan it registered in 2019.

The world's biggest internet IPO since Uber

Kuaishou, the world's No. 2 short-video app behind ByteDance's TikTok, raised $5.4 billion on its debut in Hong Kong in February 2021, making it the world's biggest internet IPO since the $8.1 billion U.S. share sale of Uber in May 2019. The company continues to ride China's lucrative livestreaming e-commerce trend, fuelled by the pandemic-induced demand for online shopping, with its gross merchandise volume sold via the platform reaching 381.2 billion yuan in 2020 over six times bigger than the previous year.

In 2020, Kuaishou's average number of daily active users was 264.6 million, a year-on-year increase of 50.7%. That was more than Twitter's 187 million and Snapchat's 249 million. Domestic rival Douyin owned by ByteDance has more than 600 million DAU in the same period.

The biggest migration

This might be the biggest migration in human history, the migration to digital space, creating new winners on a massive scale. Meituan which runs the most popular takeout delivery service in China, has about 3.99 million registered delivery workers, a number that has grown by more than 2.1 million since the epidemic began in China. In the third quarter of last year, the gross transaction value of Meituan's food delivery business increased by 36% year-on-year, and its food delivery business's operating profit jumped to 768.5 million yuan ($117.9 million) from 330.9 million yuan of the same period in 2019, according to its third-quarter results.

Vaccination – the long and winding road to herd immunity

As of 10 April 2021, China had administered more than 164 million doses of COVID-19 vaccines on its 1.4 billion-strong population. The country plans to vaccinate 40% of its population by the end of June. However, it's still relatively low compared to other countries that have vaccinated 40% to 60% of their populations. And questions have surfaced recently about the efficacy of several Chinese vaccine candidates.

Street View

COVID-19 Chronicles Revisited: Hong Kong

Simon Ogus

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In many ways, Hong Kong has had a "good" COVID-19. One of the most densely packed places on earth has recorded only 11,700 infections and 210 deaths out of a population of 7.5 million since the pandemic kicked-off. At 84.7 years, Hong Kong citizens are the world's longest living thanks to healthy diets that lend themselves less to COVID-19 co-morbidity markers such as heart disease, diabetes and obesity. An excellent universal healthcare system has also helped immensely. And having also experienced first-hand the ravages of SARS two decades ago, the population was quick to self-adjust its behaviour.

Yet at the same time the Special Administrative Region is a far from happy place. While Hong Kong has never been in full lockdown and certain industries – notably finance, real estate and professional services – have continued to boom, the tourism, retail and hospitality trades which employ far greater numbers have been decimated. Furthermore, trust in the Government is in increasingly short supply thanks to the perception – fair or otherwise – that COVID-19 has been used as cover to remake the social and political orders.

One manifestation is a slow rate of vaccine take-up despite the authorities having secured plentiful supplies. This is both attributable to the low infection and mortality rates cited above and quarantine requirements that are amongst the most draconian on the planet. The perception of all stick and no carrot remains pervasive.

The primary aim appears to be to re-open the border with a Mainland which will only happen when cases remain at or near an arguably unrealistic target of zero for an "extended" period. Opening up to the wider world seems further off with little indication that those who have been vaccinated will be able to benefit from materially easier quarantine restrictions on their returns. Non-mutual recognition of different vaccines further clouds the situation.

Mong Kok Market

COVID-19 Chronicles Revisited: Korea

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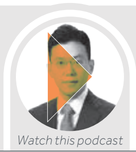


How COVID-19 has changed Korean consumer habits

The COVID-19 pandemic has raised public awareness of hygiene, the environment, and social distancing and subsequently, consumers are increasingly focused on online retail, personal mobility, home appliances/interiors, healthcare and wellbeing sectors.

Social distancing measures, supported by the constantly evolving telecommunication technology have accelerated demand for online retailing making Korea one of the major e-commerce markets in the world. The Korean e-commerce sector has caught the attention of global investors as witnessed by the successful IPO of Coupang Inc on the NYSE – a Korean version of Amazon in the online retailing space with a market cap of c.US$ 72 billion, as of 21 April 2021.

Demand for personal mobility has also grown significantly to reduce human contact. This includes the widespread use of rented electric scooters that also require advanced telecommunication technology.

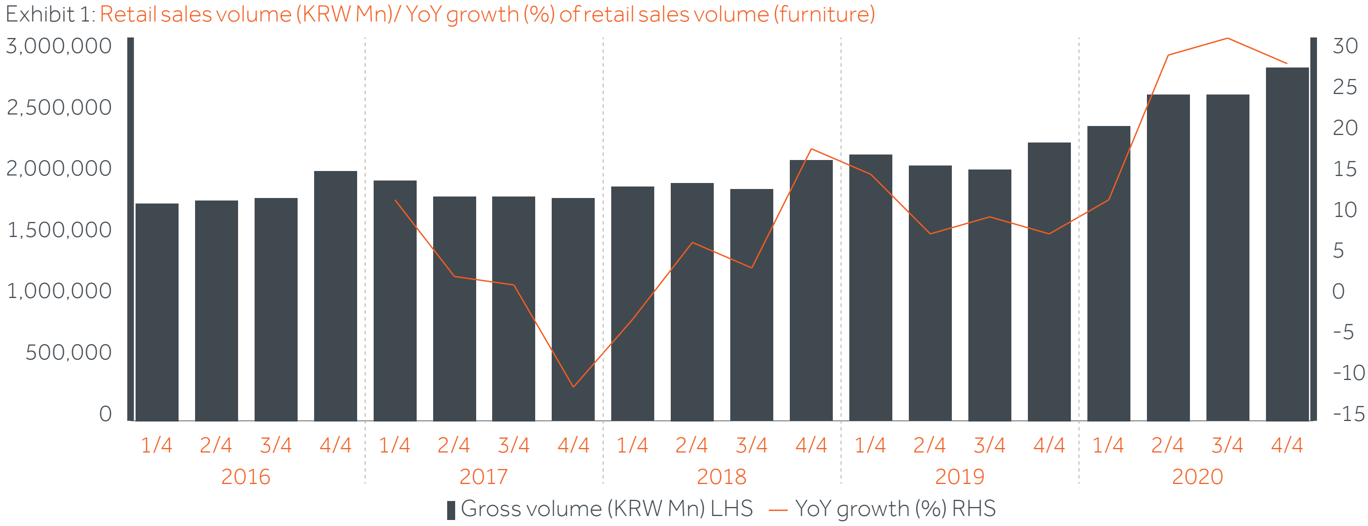
As people spend more time at home, interest in home activities including cooking, decorating and furnishing has grown significantly. In 2020, Statistics Korea recorded that retail sales volume of furniture reached c.KRW 10.2 trillion, which is a record breaking figure and is a c.24% increase from 2019 and while this has been partly driven by rapid growth of the single-person household accounting for 39% of the total households in Korea as recorded by Ministry of the Interior and Safety ("MOIS"), the on-going pandemic has not only accelerated the growth but was also a major driver in 2020.

Consumers have also shown a strong interest in healthcare including growing demand for health supplements and the so-called "greener" leisure activities for example, weekend farming, mountain hiking, and day trips to the suburbs or rural areas.

Many traditional industries have also been hit by COVID-19 most notably travel and tourism. The Korean Government imposed appropriate measures to limit the spread and both industries and end-users followed such measures well. As a result, domestic travel and tourist activity have remained reasonably resilient.

COVID-19 has accelerated digital transformation across almost every industry driven by advances in telecommunication technology. Starting from e-commerce activities (e.g., online retailing), the digital transformation has continued to significantly upgrade the quality of media content including streaming services and mobile gaming and this upgraded media content has created a huge amount of data traffic. Korea continues to actively set up the next generation digital infrastructures (5G) across the nation, but it is still in an early stage with a highly limited millimetre wave bandwidth access (26.5~28.9 GHz vs. current 3.4~3.7 GHz) that allows end-users to experience the true performance of the 5G technology. Nevertheless, even with the current low performing 5G infrastructures, data consumption per capita has already grown significantly and quality data centres that can process and store the rapidly growing data consumption are still not enough.

Exhibit 1: Retail sales volume (KRW Mn)/ YoY growth (%) of retail sales volume (furniture)



Source: Statistics Korea

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Street View

COVID-19 Chronicles Revisited: India

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Country gasping for oxygen

As we mark just over a year after the pandemic started, India is gripped in a second wave, the nation has been hit extremely hard by what is now being termed as a deadly tsunami. The public health system - which usually creaks anyway - is close to buckling under the pressure of admissions, limited ICU beds and a lack of availability of bottled oxygen. The absence of a vaccination, medication, doctors and cremation facilities has brought the country to its knees. Mental fatigue and anxiety levels are rising sharply.

Reported daily cases- a gross underestimation now represent over one half of all cases globally. Alongside this grim fact is the even starker truth that no one literally knows the true and utterly tragic death tally. Whilst we are a large nation with a massive population this second wave is a truly heavy burden for everyone to bear.

In this firestorm precious supplies of oxygen are being airlifted. Retired army doctors have been pressed into service, several self-help groups are doing their best at the local levels to provide road-side life support in a bid to save maximum human lives.

Economic recovery

The Federal Government had recognised the need to lead the growth agenda and in their most recent budget has restructured spend in favour of capital expenditure (an increase of 34.5% to USD75+ billion). GST collections - a barometer for economic activity - have been tracking well with collections exceeding an average USD14.9 billion over the last 6 months, higher than 12 months pre-COVID-19 average of USD12.6 billion. Total credit is growing around 10% with public sector debt up by over 20% on a three month moving average basis. Private sector debt growth remains more subdued at just over 5% continuing to reflect the aftereffects of the NBFI crises.

After a contraction of 8% in the previous fiscal year, the Indian economy was looking at a promising "V" shaped recovery with the economy projected to grow at between 11 - 13% in the current fiscal period. The second wave and potential governmental actions may well lead to paring of these estimates.

Impact on portfolio companies

Actis investee companies repositioned themselves to adapt to the changing market landscape. Each portfolio company has adopted digital strategies to reach employees and customers alike and has created liquidity headroom to manage any further short term disruption.

Pinelab, a 'fintech' PE portfolio company, witnessed initial demand stagnation due to a spending squeeze. It has subsequently rebounded, seeing a recovery since the economic re-opening. Profectus Capital, another financial services company, has performed well with constant growth of high quality loan book and sufficient liquidity to meet near-term debt obligations.

Sprng Energy, a renewable company in our portfolio, continued to perform well with limited impact on their operations given that electricity is treated as an essential service.

In our real estate business, we are noticing demand coming back in the market, albeit slowly. Construction returned to pre-COVID-19 levels after the initial hiatus due to lockdown and in our residential real estate business, the company sold 1,900 units in the year ending March 2021, achieving over 100% of sales targets. Collections from customers are also picking up. In our build-to-core office development business, we are noticing tenant demand on the rise with heightened activity, albeit in select locations.

In the background of a very hazardous face of a second wave, the next 3-6 months will be crucial in determining the pace of business recovery.

Further, the administration's ability to contain the spread of the virus through localised lockdowns, provision of urgent medical care & speed of vaccination would really be the deciding factors in bringing the battered economy back on its feet.

Vaccination drive

On 16 January 2021, with two approved COVID-19 vaccines, India kicked off its nation-wide vaccination drive with healthcare, frontline and municipal workers followed by those over the age of 60 in the first phase. The plan now is to vaccinate everyone above 18 years from May 1.

The Government set itself an ambitious target to vaccinate 250 million by July 2021. The country faces a massive challenge of not only procuring more vaccines but administering them faster, particularly in the face of second wave of virus. Plans are already afoot to double down vaccination rates facilitated by a 24-hour vaccination service.

While the Government has started the largest vaccination drive with 108 million doses registered across 60,000+ centres, inoculation pace is anticipated to be slow as we see production capacity strained on account of lack of infrastructure as well as unavailability of input materials. To augment inoculation, the Government has approved a wide range of measures including offering financing support to two of the domestic companies to increase production as well as to approve a few of the foreign made vaccines for emergency use. Actis is closely monitoring the potential impact of second wave, which we believe, will present unique dislocated market opportunities.

Vaccination campaign ongoing in one of the South Delhi Municipal Corporation health centres.

Street View

COVID-19 Chronicles Revisited: MENA

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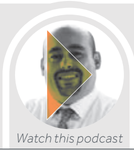

Over a year into COVID-19, the pandemic continues to take its toll on the MENA region. Disruption and volatility are having socio-economic implications across the region through hits to consumption, supply chains, and business confidence. One thing is for sure, the pandemic has changed the MENA region for good, and in many cases it has catalysed the tides of change (technological or otherwise) which had been in the making before COVID-19.

In the MENA region's most populous market, Egypt, the story has been one of relative resilience. The Government initially responded to COVID-19 with an evening curfew as well as a strong basket of monetary and fiscal stimuli, aimed at softening the blow from the pandemic. A year on, the economy has reopened (almost fully), and it appears that this response has enabled a swift route back to recovery, as evidenced by Egypt's GDP growth of c. 3.6% in FY 2019/20, a standout in the region. There are several other indicators pointing to resilience, including a 1.3% primary budget surplus, a steady level of reserves at c. US$40bn (c. 8 months import cover), and low inflation at c. 6%. Those themes resonated positively with credit rating agencies which have upheld Egypt's rating and outlook throughout 2020.

On the ground in Egypt, case numbers have risen in the third wave, and vaccination efforts have started but are yet to hit critical mass due to supply chain challenges. On the business front, our investee companies have shown resilience which rhymes with the macroeconomic trends. Our healthcare investments in both IDH and Cleopatra Hospital Group have bounced back quickly from COVID-19 and resumed growth due to their defensive nature. The pandemic has also further accelerated the digitisation of all aspects of daily life. Even the Egyptian Tax Authority is digitalising bills and payments. This trend reflected positively on our investee company Fawry which has been a beneficiary of growth in electronic payments. The flexible work from home set up is changing the way that companies think about their delivery capability and the need for stronger digital infrastructure. This is accelerating activities in the data centre space, as well as in the fibre to the home and to business. The Information, Communication, and Technology sector is continuing to grow, and is expected to become 8% of Egypt's total GDP thanks to smart cities, and new urban developments like the New Administrative Capital.

On the energy front, Egypt's drive to boost renewable power's share in its energy mix has been accelerated by the pandemic, with national targets for renewables now raised from 20% in 2022 to c. 50% by 2035. Our investee company Lekela Power continues to successfully build its 250 MW West Bakr wind power station in the Gulf of Suez which is expected to be completed on time this year. On the social front, the cash transfer programs of "Takaful" and "Karama", now covering c. three million families, are proving to be critical during the pandemic and have continued to provide support for those most in need, preventing more people to fall below the national poverty line due to difficult economic conditions.

The picture is not as resilient elsewhere in MENA. In the Maghreb region, Tunisia and Morocco continue to suffer from the impact of the pandemic, and vaccination efforts are still gathering momentum. Lockdowns have been largely lifted, but economic activity continues to be depressed, with GDP in 2020 contracting by 7% in Tunisia and 4.7% in Morocco, albeit both expect a return to growth in 2021. The economies in both countries have gradually reopened, and Governments in both countries are providing support through a basket of fiscal stimuli and cash stipends, especially for rural workers who lost their jobs. Lost revenues from tourism in particular, a big source of hard currency for both countries is taking its toll on already stretched public finances, as evidenced by the c. 4% devaluation of the Tunisian Dinar in Q1 2021. The impact on the private sector has been notable, even in defensive sectors like healthcare where we have investments in Tunisia. Social risk is very much top of mind in the Maghreb countries, and more funding is being lined up for social programs to mitigate the socio-economic impacts of the pandemic.

In the GCC region, the UAE which had acted early and decisively with a strict lockdown has now re-opened the economy following a 3.5% drop in GDP in 2020. Case numbers increased on the back of this reopening between October 2020 and February 2021, but the Government countered this with a concerted effort on the testing and vaccinations front (vaccination rates are reaching c. 90% of the population in April 2021); this has significantly brought down the number of new daily infections, and life appears to be gradually coming back to normal. Meanwhile, Saudi Arabia continues to have strict containment measures in place including a travel ban for locals, and strict entry requirements for foreigners. The Saudi economy was hit by the double impact of the pandemic as well as a turbulent oil market. GDP contracted by 2.3% in 2020, but is expected to return to growth in 2021. The "Sanad" support program has provided some support for various sectors during the peak of the pandemic, but this support has now largely ended and the impact of the containment measures continues to be felt in many sectors, including the consumer sector where we have an investment in QSR Company Kudu.

Checking temperatures at University Campus

The pandemic has taken its toll on the economies of the MENA region to varying degrees. But every cloud has a silver lining. As elsewhere, COVID-19 is an accelerator of business and lifestyle shifts to a more digital world. Every single sector and every single business in the region has had to reconsider its digital transformation plans. This is good news for the MENA market in the long-term. Digital transformations will imply better infrastructures and more efficient economies in due course. Be it through better healthcare provision, easier electronic payments, or even hybrid models of working, the markets of the region will emerge from the pandemic with short-term economic scars, but hopefully better equipped for an increasingly digitally enabled and reliant global economy.

Street View

COVID-19 Chronicles Revisited: South Africa

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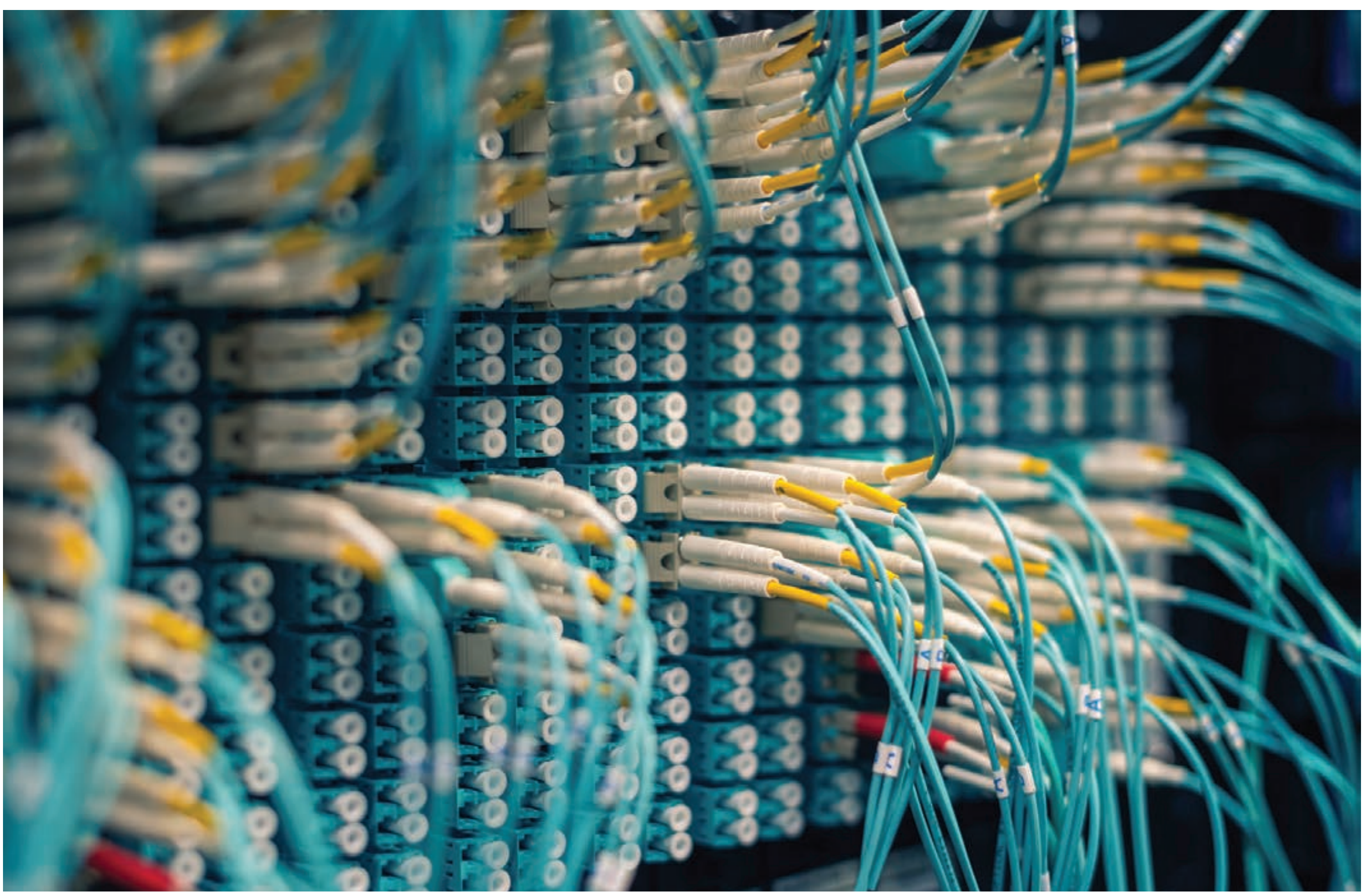
A year on from the start of the pandemic and South Africa's slow vaccination programme has not prohibited Government from re-opening the economy to a minimum level of restrictions. In late January the drop in new COVID-19 cases signalled the end of the second wave. Government responded by limiting restrictions to minimal levels in an effort to stimulate the economy and reverse the devastating 1.4 million reported job losses of 2020. In a country with such high unemployment, COVID-19 acceleration of job losses arguably outweighed all else in the Government's response to the economy.

South Africa's vaccination program has been extremely slow. A lack of funding, a pivot away from the AstraZeneca vaccine on apparent efficacy concerns to a South African variant, and the slow contracting of other vaccine supplies have meant that by late April less than 1% of the population (initially targeting healthcare workers) have been vaccinated. This has meant resetting targeted timeframes which now stretch into 2022 before many South Africans will receive a vaccine. With no material signs yet of a third wave and easing of regulatory restrictions, the poor vaccine programme has not yet diminished a path to recovery in the economy with many sectors (with the exception of tourism) opening up.

Performance from Actis' private equity investments corroborate the surprisingly positive upside in parts of the economy in Q1 2021 against the low confidence in the economy at the end of 2020. We're selling more furniture and beds in our in-home furnishings retailer than ever before, a remarkable turnaround when the entire store portfolio was closed in April 2020. Unsurprisingly our most recent digital infrastructure investment in the fibre-to-the-home sector has seen the acceleration of digital access demand through COVID-19. However the difference in performance between sectors is stark: the tourism sector (which had grown to a larger contributor to GDP than gold mining pre-COVID) has been devastated. Cape Town International airport had only 6% of the international arrivals in the month of February, compared to the year before. The differences in sector performance will likely continue beyond 2021 when improved vaccine delivery and efficacy to the South African variant are evident.



The Digital Infrastructure sector has accelerated

Street View

COVID-19 Chronicles Revisited: Nigeria

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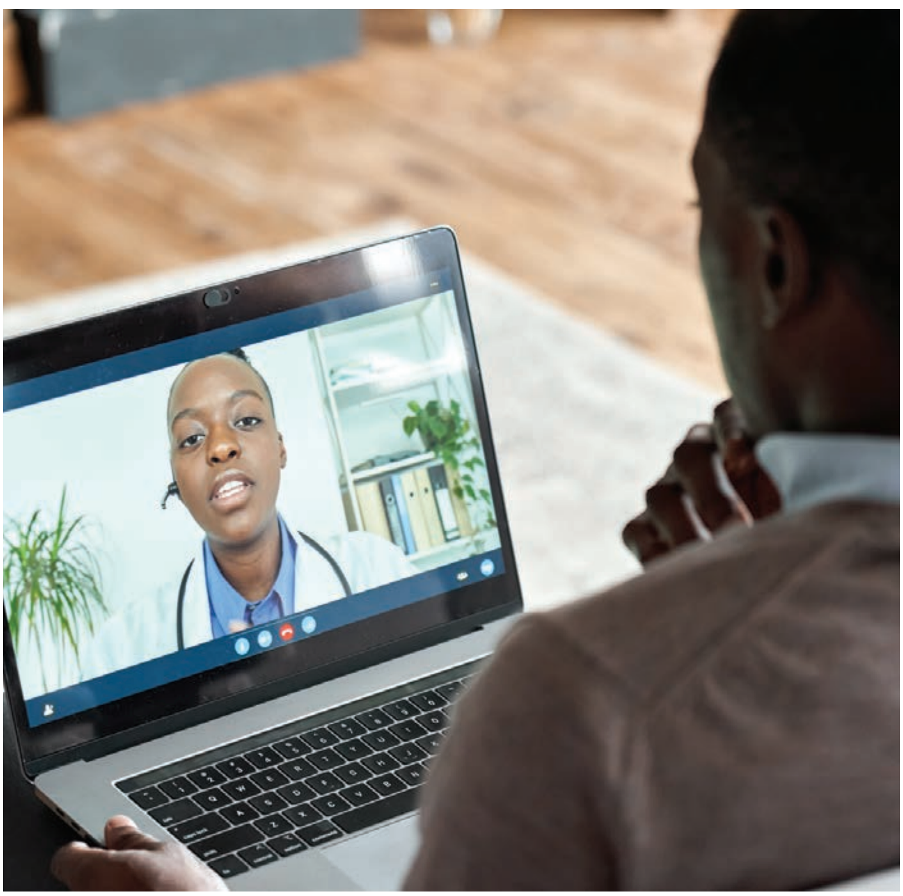
COVID-19 has had an overwhelming impact on consumer habits in Nigeria. Low consumer confidence has led to reduced non-discretionary spending. Admittedly, with over 89 million people living on less than $2 per day pre–pandemic, such spending was limited to a subset of the population. The misery index has grown from lockdown disruptions disproportionately affecting the informal sector, rising unemployment and lower wages, as businesses cut costs to stay afloat and rising inflation-last measured at over 18%.

Another important shift is that basic needs now include communication costs for voice and data, essential for remote working, e-commerce, online schooling and maintaining social connections. Anecdotally, one of the large telecom operators, MTN Nigeria grew data revenue by 52% while voice revenue grew only 6% in 2020.

The biggest change from the pandemic has been the inability to gather for social events due to social distancing rules, which for most of the year restricted the number of attendees at indoor events to between 30 – 50. A far cry from the size of typical events that range from hundreds to thousands of guests, reflecting extended family and community based socialising.

With these restrictions, events, including religious services are now broadcast on-line using Zoom and YouTube Live. Most entertainment businesses have reopened, adopting increased outdoor seating where feasible. Cinemas and night clubs were restricted for the longest period but have now also reopened – albeit at 50% capacity and with restricted operations after midnight. The informal sector was less restricted as it mainly operates outdoors.

The lockdown has generated more activism and increased distrust of Government. Recent protests on police brutality reflect increased activism particularly among the young.



A remote medical consultation

We have seen some trends in terms of digital acceleration

Education: Private K12 schools and tertiary institutions have adopted remote learning to provide continuity during the lockdowns. Unfortunately, publicly funded schools did not have the resources to introduce e-learning and data costs would have been too steep for low income families.

Shopping: The key enablers of online retail have strengthened significantly in the past year. These include mobile banking solutions, digital payment solutions and delivery services. The leading payment switch, NIBBS, recorded 98% growth in transaction values in Q1 2021 over Q1 2020. Given the improved infrastructure for online retail, businesses now actively adopt online sales channels.

Entertainment: Subscriptions to local pay TV and international pay TV businesses have increased, particularly for local content on Netflix and Showmax.

Communication: Zoom and Teams moved from being used predominantly for business interactions to mainstream and a mainstay for all types of business and social interactions.

Health and wellbeing: Tele-medicine has emerged as a way of engaging with patients for first line interactions and to monitor the progress of mild cases of COVID-19 remotely.

COVID-19 Chronicles Revisited: Kenya

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During the last 12 months Kenya has suffered three waves of the COVID-19 virus. The third, thought to be the more virulent South Africa variant, is still on going, sweeping from Nairobi across the country and causing the Government to again declare stringent lockdown measures including restrictions on travel, all social gatherings and a night time curfew.

Just as the first delivery of 1m doses of the Oxford/Astra Zeneca vaccine from the WHO Covax facility arrived in the country, the Government was prompted to act as the positivity rate of those tested for COVID-19 rose to over 20% and intensive care facilities in Nairobi reached full capacity.

The Government has certainly played its part by demonstrating sound, pragmatic judgement in balancing the need to protect healthcare with the desire to maintain an open economy and as much personal freedom as possible. It has been extraordinary to see how positive, resourceful and hard-working Kenyans have been despite the very harsh economic environment.

Throughout COVID-19, the main consequence to the Kenya economy has been to the tourism and hospitality sector and Java, our quick service restaurant chain, has certainly taken the brunt. Footfall, reduced by the curfew, and capacity, reduced by the need to observe strict social distancing protocols, has meant sales remain considerably below pre pandemic levels causing the business to focus on its cost base and growing home delivery, retail products and value promotions.

Kipeto, our 100 MW wind farm located on the edge of the Rift Valley in Kajiado County has, by applying very strict protocols, effectively managed to control COVID-19. We completed the construction and installation of the plant in 2020 with minimal delays, moving to commissioning in early 2021. Kipeto has also provided much needed practical support to the local communities.

Also under construction, Mi Vida, our medium cost housing development at Garden City, has remained open for business. Amid social distancing, mask wearing, hand sanitising and temperature checks the sales office has remained staffed throughout and open for public viewings.

Meanwhile, the Kenya economy, which did not contract in 2020, remains robust. Supported by record inflows of diaspora capital, interest rates and the Kenya shilling remain stable. Fitch recently reaffirmed its B+ credit rating. However, the vaccine rollout is not expected to be complete until at least 2023 and a return to normal life will take time.

COVID-19 protocols at work at Kipeto.

Street View

COVID-19 Chronicles Revisited: Latin America

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Cross border M&A in the time of COVID-19

In late 2020, Actis closed one of the largest M&A transactions in its history: we sold one of the leading renewable platforms in Latin America for an enterprise value well over one billion dollars. This was the culmination of a long journey of value creation for Actis, and it came with a wrinkle: we never got to meet the buyer.

The buyer was a strategic Asian investor with whom we started a dialogue in late 2019. By the time we engaged in earnest to discuss the transaction and establish a process in early 2020, a good part of East Asia was well into lockdown. In the Americas, COVID-19 sounded foreign and distant – reminiscent of SARS in 2002 that never made it into the western hemisphere or the H1N1 virus in 2009 that eventually proved to be less threatening than originally feared. We watched our Asian counterparts with curiosity, wearing face masks over video conference calls, due to travel restrictions. The Actis Latin America team made its way from Mexico City to Colombia to celebrate a colleague's wedding in late February 2020, little did we know this was the last trip many of us would make for over a year.

By the middle of March 2020, the virus had raged like wildfire throughout the world, and made its way into Latin America. This resulted in travel restrictions and lockdowns. The buyer resourcefully worked through the due diligence phase remotely.

With due diligence wrapped up, we were ready to negotiate the transaction documents. Normally, the buyers and sellers would meet face to face in New York or London in an elegant lawyer's conference room and iron out the deal through sometimes long and intense negotiation sessions. Given the circumstances, we had to settle for virtual meetings in our bedrooms or dining rooms with children in the background. With lawyers and bankers joining from New York, London, Singapore, Hong Kong and Mexico City, finding a suitable time was hard... and more often than not, either our counterparty or us had to settle for an unsuitable time.

The hardest challenge to overcome was how to establish a personal connection with a group of people that we had never met in person. Small talk over a Zoom meeting or cracking a joke to find people not coming off mute will get awkward... fast. The key was to (over) communicate, prioritise transparency and be willing to compromise.

By the summer of 2020 we agreed a deal – it provided the buyer with a strategic footprint in one of the largest power markets in Latin America while resulting in a fantastic financial outcome to Actis. Not bad for a few *(ok, many)* days of work from home.

Doing deals...differently

COVID-19 Chronicles Revisited: Brazil

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Over a year of the pandemic impact in Brazil and we are not yet over the worst, with the average death toll rising to c. 4.000 per day. The first vaccine was given 90 days ago and the vaccination rate is picking-up, with daily jabs increasing from 150,000-250,000 to 650,000-800,000 people. The country tries to move forward despite greater Government restrictions to businesses.

The main change has been digital acceleration: home-schooling, e-commerce, and on-line payments.

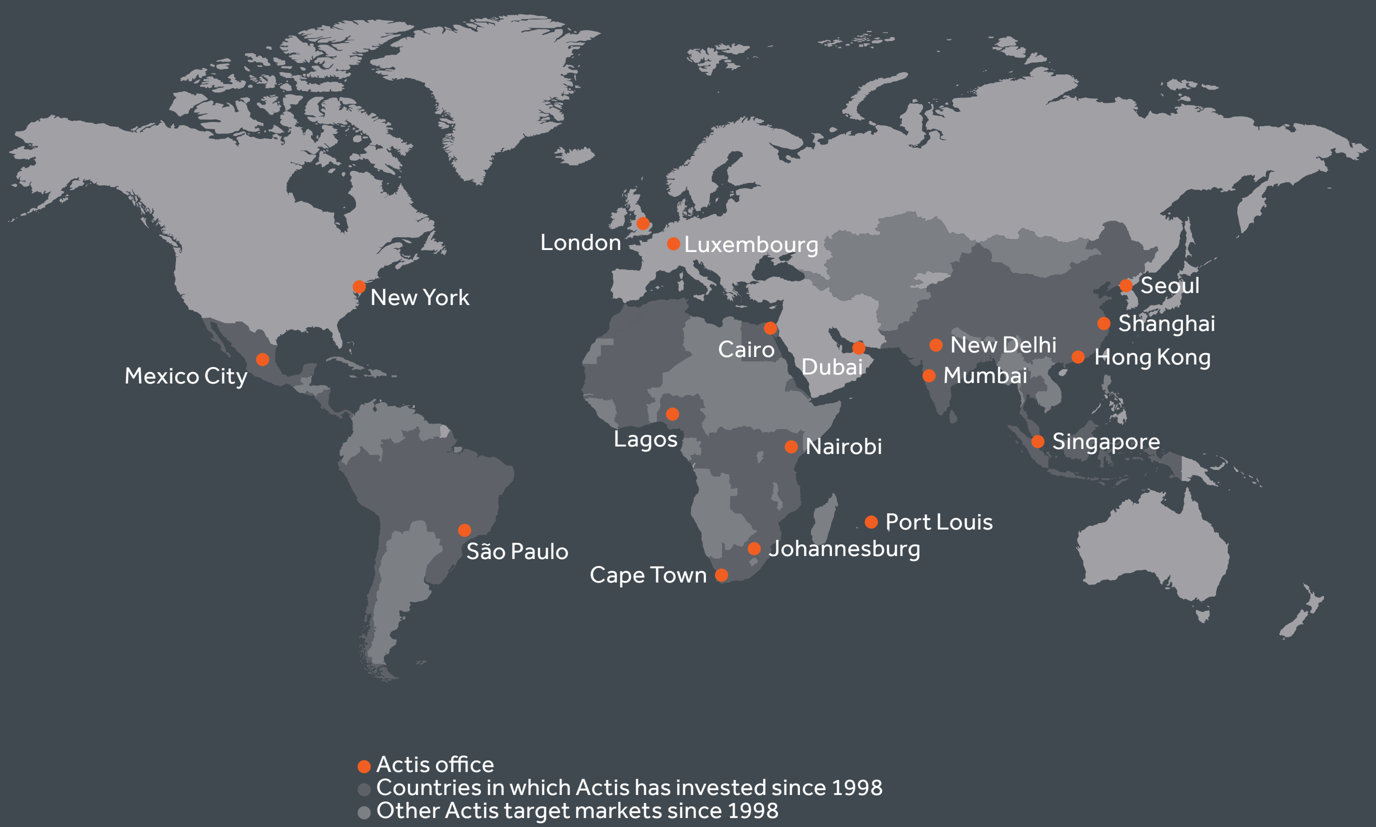
On the education front, most of the population is impacted by resource restrictions. In a country where less than 10% of 5,500 municipalities has access to fast broadband fibre, the Government has announced a plan to provide 100% high speed internet access by 2024. Until then, many families rely on the internet provided by cell phone operators – Brazil has over 238 million operating cell phones – 75% with the 4G technology. The inequality and social gap of the country has also been starkly highlighted by the different realities of public and private schools. At public schools, content is sent to students and homework submitted to teachers through WhatsApp, while private schools offer zoom classes and are able to adapt to the "new normal".

Businesses which relied on walk-in clients had to offer delivery or e-commerce services, as well as online payment. We saw local firms growing the market place and enhancing options available to clients, Mercado Livre, MagaLu and Amazon are the most relevant players. In 2020, the e-commerce share of retail rose from 7.2% to 12.5%, a 10-year share gained in 10 weeks.

Another example of digital acceleration is the number of new digital banks coming to market. Additionally, the successful implementation of the PIX payment method, a real-time payment system launched by the Central Bank of Brazil which is compatible with the banks. The PIX payment method saw businesses, informal workers and small shops using a unified payment system which is linked to one's mobile number, email or social security number, with instant financial compensation.

Furthermore, as well as extending the "Corona Voucher", the Government financial support for low income families for an additional 3-4 months, the Government also made it available online for the first time, instead of through cash withdrawal from an ATM. This digitalisation trend will contribute to a greater formalisation of the economy, increase financial inclusion and prevent tax evasion and/or corruption.

Corona Voucher



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