

**Monthly Client Memo**Geneva, September 11<sup>th</sup>, 2020

Dear Clients and Partners,

This message follows our last memos, which you can all consult here: <https://symbioticsgroup.com/covid-19/>

We put on hold the reporting during July and August to wait for further development of the portfolio quality of our investees. We have now moved to monthly updates. The situation as of 10 September is as follows:

- **Microfinance institutions portfolio quality:** Our partners have demonstrated their ability to react quickly and adapt their process and activities to the COVID-19 crisis. Although the level of portfolio at risk has increased, it remains manageable (the PAR 90 days indicator increased from 2.8 % in February 2020 to 4.3% in July 2020). Yet, MFIs that implemented payment moratoriums have seen a high level of restructured loan: 37 % of the loans disbursed by our partner investees have been restructured on a worldwide basis, following payment moratoriums, but there are strong regional differences. For example, this indicator gets to 55% in Latin America, versus just 16% in Africa. While it is too early to assess the precise underlying risk attached to those restructured loans, in several markets micro-entrepreneurs have demonstrated their capacity to repay the loans following the end of the lockdown period.
- **Liquidity cases:** Thanks to strong coordination among lenders and a stable deposit base, most of our partners currently enjoy high liquidity levels. In July and August, no new MFI has requested a rescheduling of their debts. Overall, out of the 86 requests for liquidity relief received since March, only five cases so far have resulted in a formal debt restructuring process. This number has not changed since our last report in June. For 29 investees, lenders have prolonged loan maturities by 9 to 12 months, following a handshake agreement among lenders.
- **Solvency cases:** Overall, the equity level of our partners remains strong. This has enabled them to absorb additional provisions related to the deterioration of credit risk and the decrease of their activities. Since June just one additional MFI has been facing solvency issues. Since March 2020, we have seen six solvency cases out of a total of 285 investees, representing less than 2% of our total assets under management.
- **Demand:** MFIs worldwide are facing decreased demand. The decline in gross loan portfolio has been particularly strong in Africa (-7% since the beginning of the year) and Asia (-6%). The downturn in the real economy and the decrease of GDP in almost all emerging and frontier markets will continue impacting their activity this autumn. However, July and August were encouraging months, showing portfolio growth in many countries. To balance the decrease of revenues, most investees have already engaged into cost cutting programs.
- **Fundraising:** Our investor base remained stable, and there were no major withdrawals in July and August. Since 1 July, we received additional subscriptions in our funds of around 40 million USD.
- **Pipeline / New investments:** Our new investment pipeline has been encouraging, and we disbursed approximately 100 million USD in both July and August. We expect similar disbursement levels for September.
- **Sector coordination:** Impact investors continue to actively coordinate their actions with weekly discussions among the leading MIVs. Alignment on the definition of Covid indicators and elaboration of updated solvency stress tests are the current subjects of discussion.

You can contact your relationship manager for portfolio specific questions and perspectives. We will send you the next Monthly Client Memo around October 10<sup>th</sup>.

Yours sincerely,  
Symbiotics