

Monthly Client Memo

Geneva, October 15th, 2020

Dear Clients and Partners,

This message follows our last memos, which you can all consult here:

<https://symbioticsgroup.com/covid-19/>

Although most governments have now lifted lockdown restrictions to support the economy, Covid-19 continues to spread. The worst hit region is Latin America, and spreading is going on in South Asia and Eastern Europe. Most countries keep distancing measures only, while having opened borders and imposing quarantine upon arrival. Economic impact is severe: in many countries (Nigeria or South Africa for instance) GDP is projected to return to pre-crisis levels only by 2023/24. In this context, the situation of our investees of as 14 October is as follows:

- **Microfinance institutions portfolio quality:** MFIs have scaled down their growth plans, focusing on loan portfolio quality rather than quantity. Loans rescheduled due to the pandemic continue to decline from their peak in the second quarter. Their volume decreased by 10% over the last month and now stands at 30% of loans globally. Regional differences remain stark: just 12% in Africa (16 % a month ago) but 50 % in Latin America (55% a month ago). Portfolios at risk have increased in Africa (PAR 30 at 7%) and MENA but flattened in Asia (PAR 30 at 3%) and Latin America (PAR 30 at 4.5%).
- **Interest rates:** Local currencies have generally stopped depreciating towards the dollar, even if some political events in Caucasus and Central Asia put some currencies under stress. Despite higher PAR levels and challenging margin conditions, credit risk spreads are stable and interest rates have even declined in some markets, driven by the drop in LIBOR and central banks' reference rates.
- **Liquidity & solvency cases:** Equity and liquidity levels of our MFIs remain solid. Since our last memo in September, no new liquidity were added. One new (relatively small) MFI in MENA region became insolvent, representing less than 0.2% of our overall AUM. Since March, we have seen 7 solvency cases out of a total of 290 investees, representing less than 2 % of our total invested portfolio.
- **Demand:** Overall demand remains robust, and we disbursed USD 82 million in September, to 24 MFIs. We are forecasting similar levels of origination in October. Portfolio growth of our investees varies a lot between MFIs, countries or regions, depending on the impact of the pandemic on the local economy, on the proportion of loans rescheduled, or on access to funding. Latin America has seen the highest activity so far, but we expect Asia to lead our pipeline development in the coming months.
- **Fundraising:** Impact private debt funds continue to enjoy strong interest from investors, and we expect new inflows in Symbiotics Partner funds of +/- USD 80 million in Q4 2020. Together with a leading European DFI Symbiotics is finalizing its first Covid-19 bonds to help a dozen of MFIs, mostly in Africa, to reinforce their liquidity position.

You can contact your relationship manager for portfolio specific questions and perspectives. We will send you the next Monthly Client Memo in November.

Sincerely,
Symbiotics