

Dear Clients and Partners,

In October, we have seen both resilience of our investees, as well as trust of our investors.

With the arrival of summer in the Southern Hemisphere the number of Covid-19 cases is decreasing in most emerging and frontier markets. Latin America remains hardest hit, but here as well cases have stabilized, although at a high level. Economic contraction has been severe but with significant regional differences: emerging Asia contracted by -1.7% in 2020, whereas GDP in Latin America is projected to shrink by -8.1%. Modest economic growth is predicted to return in 2021, ranging from 3 – 3.5% in most developing regions. Asia is again the odd one out with projected growth of 8% next year¹. In this context, we have seen the following trends emerging:

- **Microfinance institutions portfolio quality is improving:** In October, the book of loans rescheduled due to the pandemic decreased further, by 5%. The recovery was particularly strong in Latin America. Portfolio at risk continues to increase (PAR-30 close to 5% globally) but at a slower pace than during summer.
- **Interest rates and currencies are mostly stable:** Last month interest rates and currencies were stable across emerging and frontier markets, with some notable exceptions such as Turkey. As funding from multilateral agencies continues to flow, central banks and governments maintain their support to commercial banks. So, despite higher levels of defaulted loans in their portfolios credit spreads of our investees returned to pre-Covid levels. As LIBOR has trended lower, yield levels of new disbursements in USD are around 20 basis points lower than at the start of 2020. For deals in local currency, the difference is close to 1%.
- **Solid equity and liquidity levels of our MFIs:** Since our last memo in October, no new cases were added. Since March, we have seen 7 solvency cases out of a total of 289 investees, representing close to 2% of our total invested portfolio. The solvency level of our investees remains strong: the average Capital Adequacy ratio is 20%, stable since the start of the COVID-19 crisis.
- **Demand for origination continues its recovery:** In October we disbursed USD 79 million to 33 institutions, confirming the rebound seen in the second half of the year. We are forecasting around USD 115 million of origination in November, and we're on track to end the year with origination above USD 800 million, slightly lower than in 2019. Demand is particularly picking up in Caucasus and Central Asia (25% of volume disbursed in October) while origination in Latin America and Asia was roughly equal with 1/3 each. We expect Asia to lead the way in the next few months; funding requests for instance from Indian MFIs remain robust.
- **Fundraising has been robust:** In this challenging environment our investors have continued to entrust their assets to us. Until the end of the year, we project receiving close to USD 50 million in net subscriptions from clients (in France, the Netherlands and the Nordics).

You can contact your relationship manager for portfolio specific questions and perspectives. We will send you the next Monthly Client Memo in December. You can find all our previous memos here:

symbioticsgroup.com/covid-19/

Sincerely,
Symbiotics

¹ Source: IMF World Economic Outlook, October 2020