

Dear Clients and Partners,

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

In December, the positive trend in emerging market debt continued, ending the year at +5.5%<sup>1</sup>. This trend was confirmed in the private debt market as well, as origination attained record levels. Our outlook for 2021 remains cautiously optimistic: Covid-19 undid several years of progress in our target markets, but they have proven resilient so far. In the first weeks of 2021 we've seen further rollout of vaccination campaigns across the world, but also new mutations that have led to renewed lockdowns (in South Africa for example).

- **Demand:** Towards the end of the year, growth levels of MFI portfolios reached levels not seen since 2019 (+1.4% globally in November). This is partially linked to seasonality, but entrepreneurs across the world are relaunching or repositioning their businesses. The number of borrowers is still decreasing, so there is a risk that poorer end-clients lose access to our investees. In this context Symbiotics funds in December saw an extremely strong demand, as we disbursed USD 253 million. This brought our total origination in 2020 to USD 992 million, the highest year on record for Symbiotics. Monthly demand was strongest in Asia (44%) and Latin America (34%) while issuance was more subdued across Eastern Europe & Caucasus (14%) and Africa (9%). Disbursement is typically lower in the beginning of the year, but we expect to finance deals for approximately USD 70 million in January.
- **Currencies & interest rates:** Emerging currencies continued their recovery in December, the MSCI EM Currency index ending the year up 3%. Due to the pandemic central banks took a loose stance on monetary policy and interest rates were down across the board; with the notable exceptions of China (stable) and Turkey (+500bp).
- **Microfinance institutions portfolio quality:** Loans rescheduled due to the pandemic continue to decline but remain high at a global median of 25%. Late payments, as measured by PAR-30, increased slightly over the year, standing at 4.5% at the end of November versus 2.65% at the end of 2019.
- **Liquidity & solvency cases:** Liquidity levels remain high as disbursement accelerated in December. Solvency levels have not decreased (median CAR of 19.8%; November data). Rescheduled loans could have a negative impact on the health of the sector, but our investees remain profitable (median ROE of 6.1%; November data). There were no new Covid-19 related restructuring cases in our portfolio since our last client letter. The number of open cases dropped from 19 to 16, representing less than 5% of total assets. Only a small minority (<1% of assets) is linked to the solvability of our investees.
- **Fundraising:** Our clients continue to express their confidence in our asset class. Early December, we launched another new mandate for a Swiss client, with an initial funding of USD 55 million. Elsewhere, we also saw top-ups of existing mandates for amounts in excess of USD 30 million.

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

Sincerely,  
Symbiotics

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<sup>1</sup> JPM EMBI Global TR, as at 31/12/2020