

Monthly Client Memo

19 March 2021

Dear Clients and Partners,

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

The political environment in several emerging countries has been turbulent in the first months of 2021. In particular, the coup in Myanmar has generated large-scale demonstrations and violent incidents. Protests also took place in Armenia, Senegal and Honduras. Financial markets were also volatile, and emerging markets debt has been under pressure. However, our investees have been resilient overall, and the performance of our funds remains robust. Our investment portfolios have resisted better than broad emerging market debt indices thanks to a high degree of diversification and strong balance sheets of investees (both FIs and DFIs). Also, our higher exposure to frontier markets made our portfolios less exposed to erratic capital flows in times of market turbulence.

- **Microfinance institutions portfolio quality:** At the end of 2020, the positive trend from our partners in portfolio growth was confirmed, in all regions, and the total portfolio size of our partners increased by approximately 5% over the year. However, the number of end borrowers decreased, reflecting a focus on quality. If the challenging environment persists this could be detrimental to financial inclusion, but so far this risk has not materialized. The risk increase has stabilized over the last few months, with the latest PAR 30 numbers (December 2020) at 4.9% (compared to 2.8% in December 2019). Loans rescheduled due to the pandemic decreased to 21%, down from 50% in May 2020.
- **Currencies & interest rates:** Following the global increase in yields emerging market bonds have been under pressure since the beginning of the year. USD denominated bonds have lost over 4% since the beginning of 2021. Local currencies were also losing ground against the dollar, and local currency debt retreated by more than 5% year-to-date.
- **Liquidity & solvency cases:** Generally speaking, the solvability of our investees remains in check, and the profitability of the sector remains positive. There were no new Covid-19 related cases since our last client letter. 13 are still open, representing less than 4% of total assets. Only a small minority (USD 12 million, or 0.5% of assets) is linked to the solvability of the firm.
- **Demand:** The market was quiet in February, as Symbiotics disbursed USD 42 million to 15 institutions. Year-to-date we have originated more than last year, USD 97 million compared to USD 79 million over the same period in 2020. Demand was strongest in Eastern Europe and Central Asia (72% of loans disbursed, USD 30 million), followed by Asia (18%) and Latin America (10%). For March, we expect disbursements to pick up, to more than USD 60 million.
- **Fundraising:** The year started positively, continuing the trend of 2020. We notably received a USD 15 million subscription from a Swiss pension fund client and USD 11 million from a Dutch institutional investor.

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

Sincerely,

Symbiotics