

Monthly Client Memo

19 April 2021

Dear Clients and Partners,

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

In March, Symbiotics received several accolades and certifications that illustrate the strength and innovation capacity of our business. Our first green bond for Pan Asia Bank (Sri Lanka), won the Award for innovation – bond structure (green bond) category in Environmental Finance's 2021 Bond Awards. And on 22 March we received our B Corp certification from B Lab Switzerland. With 116.1 points we rank directly among the top 3 Swiss companies involved in the B Corp movement.

In contrast, the political and market environment across Emerging Markets continued to be volatile. In Myanmar in particular the situation has been escalating, with increased retaliation to protesters. The impact on Symbiotics' investees has been significant, with local borrowing stalled. One investee in Myanmar is now in workout (MFIL), as MFIL's financial situation was already the weakest of our investees in the country and international lenders provided a 4-month moratorium to the institution. For the moment other partners in the country have adequate liquidity to sustain operations and meet repayment obligations in the near term, but we are monitoring the situation closely.

- **Microfinance institutions portfolio quality:** Portfolio growth continued its upwards trajectory, and median GLP growth increased from 2.3% in December to 2.7% at the end of February. Also, the number of end-borrowers also increased slightly, marking a turning point since the beginning of the pandemic. The liquidity and solvency of the institutions in our portfolio remains stable. Overall Portfolio at risk (PAR) was also unchanged, but we did see a strong increase of PAR in Asia, due to the end of debt repayment moratoria. In Africa however, PAR decreased as loan portfolios started recovering from the crisis.
- **Currencies & interest rates:** Emerging markets debt, in particular USD-denominated, suffered in the first quarter. The JP Morgan GBI-EM Global Core index lost more than 5%, triggering some capital outflows. Local currency debt also lost ground, but less (-3.6%). We need to put this correction in perspective however: US yields are just back at pre-Covid levels and EM central banks are yet to react with higher policy rates.
- **Liquidity & solvency cases:** Our asset class continues its road back to normality, and no new Covid-cases were added this month. The number of open cases further decreased to 10, five of which were liquidity related. The other five were linked to the solvency of the institutions and represented 0.4% of our invested portfolio. We are closely following the increase in COVID-19 cases in Latin America and its potential impact on our investees in the coming months, even if no MFI in the region has reported new refinancing risk as of today.
- **Demand:** Disbursement in March (USD 44 million) was virtually stable compared to February figures. In the first quarter, we disbursed USD 140 million, 18% more than in the same period of 2020 (USD 118 million). Demand was strongest in Eastern Europe and Central Asia (42%), followed by Asia (27%) and Latin America (25%). We expect demand to pick up in April, with a forecast pipeline in excess of USD 70 million.
- **Fundraising:** There were no major asset movements in March. In April, we expect a further investment from a Swiss private bank. All our funds have obtained the SFDR 9 classification following the new EU regulation.

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

Sincerely,

Symbiotics