

Monthly Client Memo

22 June 2021

Dear Clients and Partners,

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

The global economy, and with it the Symbiotics portfolio, is further recovering from the COVID pandemic. Projections are that the economic impact of India's second COVID-19 wave will be less severe than after the 2020 lockdown, but that recovery will take longer. The Reserve Bank of India is taking measures to provide relief measures to end-borrowers and financial institutions alike, and extended the restructuring scheme for MSMEs and individual loans until September 2021. It further introduced liquidity facilities for bank lending to priority sectors (including MFIs) and small finance bank lending to MSMEs. A small rise in restructured loans is expected by September 2021; however, financial institutions are still assessing the evolving market situation and will likely only take action in Q3-2021.

- **Microfinance institutions portfolio quality:** Liquidity and solvency levels remain stable across most regions except for Asia, where solvency levels have been declining since Q4-2020. However, moratoria are decreasing across all regions, and April 2021 brought a potential sign of recovery in the form of a small decrease in PAR levels in Asia and Africa. Across all regions, the portfolio is growing steadily, however, the number of borrowers has been relatively stable since May 2020. As of April 2021, the strongest growths in gross loan portfolio are recorded in Sub-Saharan Africa, South Asia and Europe and Central Asia.
- **Currencies & interest rates:** Emerging markets currencies continued their rebound and are now up close to 2% since the beginning of the year. Emerging markets listed debt rebounded early June, and is outperforming global sovereign bonds year-to-date. Interest rates in our target markets have been relatively stable in most countries, with the exception of Turkey, in a context of high inflation and currency weakness.
- **Liquidity & solvency cases:** Signs of recovery from the adverse effects of the COVID-19 pandemic are clearly visible in recovery rates, which are 14 times higher in May 2021 than in May 2020. COVID-19 related workout cases are further declining (from 19 cases in the beginning of the year, to 9 open cases in June), and the number of cases related to the solvency of the institution continue to represent only a small fraction of the total assets (0.4% or USD 9 million). Three workout cases opened in Myanmar in May, where an ongoing political crisis limits the access to hard currency and, therefore, adversely impacts the investees' repaying capacities to international lenders.
- **Demand:** In May, Europe and Central Asia saw the strongest origination (USD 41.2 million or 47% of all loans), followed by USD 18.6 million disbursed in Africa (21% of all loans). In total, Symbiotics disbursed USD 87.5 million to 27 institutions in May 2021. Following current estimations, USD 160 million should be disbursed in June. Since the beginning of the year we have disbursed USD 304 million, compared to USD 183 million in the same period last year.
- **Fundraising:** In May, we successfully launched a new vintage for a client in the Nordics, for an amount of USD 30 million, and we received a USD 5 million subscription from a Swiss client.

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

Sincerely,

Symbiotics