

Dear Clients and Partners,

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

As COVID-19 mitigation measures are gradually loosened in several countries and economies reboot, inflation is rising, too. The pace of the consumer price increase compares to 2008 levels, and policy makers are currently weighing the risks of inflation and economic recession. However, in the majority of global markets, central banks are keeping their interest rates low. Another variable in the equation is the COVID-19 delta variant's spread, which has induced several countries in emerging markets to reimpose some restrictions. However, one source of uncertainty has recently been resolved as OPEC agreed on increasing the oil output beginning August 2021. Within this context, the overall demand and origination are increasing, illustrating the resilience of Symbiotics' partners. Since the beginning of the year, COVID-19-related active workout cases have been gradually decreasing, despite some regions being affected by new lockdowns.

- **Microfinance institutions portfolio quality:** In South Asia, PAR<sub>30</sub> levels increased in the first quarter and are expected to rise further as COVID cases are rising and lockdowns are reimposed. East Asian institutions saw an improvement in the level of loans under moratoria and overall portfolio quality. In Europe and Central Asia, the share of loans under moratoria is decreasing, and only a small number of loans are transforming into non-performing loans. Despite a seasonal fall in loan portfolio and loan portfolio under moratoria in Q1 in Sub Saharan Africa, PAR<sub>90</sub> and restructured loans remained stable, reflecting a healthy and stable portfolio quality. We expect this to improve further as loan portfolios begin to grow in the second half of 2021.
- **Currencies & interest rates:** Emerging market currencies are holding onto their gains against the dollar this year. However, after emerging market currencies' robust gains versus the dollar towards the end of June, the beginning of July saw a relatively stronger dollar as the delta variant forms a new fault line for developing nations. Despite inflation rising, interest rates are kept low globally. However, Mexico and Turkey have indicated that they consider raising interest rates contingent on inflation measures.
- **Liquidity & solvency cases:** No new workout cases were reported in June 2021, and COVID-19 related active cases remained stable as compared to last month, totaling 9 cases in July. Currently, all 9 active cases refer to workouts and represent 2.5% of total assets. At the beginning of the year, 19 cases were representing 4.8% of total assets. In Myanmar, the ongoing political crisis poses a difficult environment for partners. Additionally, COVID-19 cases have been rising and provoked lockdown measures in various townships. The situation remains challenging with political and economic instability resulting in USD scarcity and inflation. However, MFIs are considered essential services and continue their operations. Currently, only one Myanmar partner is in payment default.
- **Demand:** In June 2021, Symbiotics disbursed USD 141.5 million to 35 institutions. Latin America (51% of all loans) and Europe and Central Asia (22% of all loans) saw the strongest origination. Taking into account deal completion probabilities, the July forecast projects that Symbiotics will disburse USD 142.3 million in July. We observe an overall increase in demand and origination. Where this development has been rather modest, as in the Eastern European regions, it is due to investees employing more prudent credit analysis and economies picking up relatively slower than others.

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

Sincerely,

Symbiotics