

Dear Clients and Partners,

Your Monthly Client Memo for September 2021 is available below. If you have missed any of the previous Memos, you can access them via this link: symbioticsgroup.com/covid-19/.

The last few weeks have proved challenging for equity and bonds as they registered the highest losses since the pandemic dip in March 2020. It doesn't bode well for the future of 60/40 investors signaling the need for alternative investment strategies. With the risk of growing inflation looming, tapering measures are expected or already taking place across other regions. This subject along with continuing domino effect of defaulting property developers in China has dominated the headlines.

However, promising developments emerged from Emerging and Frontier Economies as countries across continents reported economic recovery. To name a few – Georgia's economic growth of 10.3% year-on-year (YOY) boosted its initial forecasts for 2021 by 1.8%. Real GDP in Costa Rica was up from a 2.1% contraction in Q1, marking the end of pandemic-induced recession in the country. Nicaragua's Central Bank announced the highest anticipated expansion of its economy since 1999, and Colombia's sovereign outlook was upgraded from negative to stable on the back of its robust economic growth in the medium term.

- **Microfinance institutions' portfolio quality:** Portfolio at Risk (PAR) levels have been declining since Q1 2021 across regions, bar Africa. Moratoriums on payments have steadily decreased in all regions, except for Cambodia, Sri Lanka and Indonesia due to a new COVID wave. While we see several countries already posting very low levels of moratorium loans (e.g. in China, Tajikistan, Chile, Ghana, Tanzania, etc.), the evolution of moratorium programs remains a key contributor to future asset quality in 41 out of 71 of our investee countries.
- **Currencies & interest rates:** Russia's ruble has gained more than any other Emerging Markets currency this month, bolstered by prospects of higher oil revenues. The Reserve Bank of India held its benchmark rate at a record low of 4% but suspended its bond purchasing program signaling the beginning of policy tapering. The Bank of Central African States maintained its benchmark rate at 3.25%. Peruvian Central Bank increased policy rate for the third consecutive month in response to rising inflation expectations. Inflation in Mexico increased to 6%, potentially triggering further central bank tightening.
- **Liquidity & solvency cases:** As our loan portfolios and the pool of borrowers continued to grow, liquidity levels have been declining since Q3 2020, which could in fact indicate business recovery. Monthly disbursements and repayments YOY confirm this trend, albeit are forecasted to decrease in Q3 2021. Solvency levels remain stable and we note an increase in return on equity (ROE) in most regions, except Africa. In Asia, India experienced setbacks in profit recovery, whilst Pakistan increased its interest rates by 25 basis points. Myanmar continues to face a deep economic crisis and currency devaluation. Closer to home, the Caucasus and Eastern Europe remain highly liquid with low interest rate environment. West Africa continues to struggle with political and security risks albeit some countries could benefit from IMF loans.
- **Demand:** Symbiotics disbursed USD 90.5 million to 22 institutions in September 2021, bringing the total for 2021 to USD 783.6 million YTD (up USD 238 million since 2020). We witnessed the strongest origination in Europe and Central Asia having disbursed 48% of all loans to these regions, followed by 29% disbursed to Latin America, 13% to Asia and 10% to Africa.
- **Fundraising:** In September, we received subscriptions in excess of USD 50 million, from clients from France, Austria and Switzerland.

Should you have any questions, please contact your relationship manager.

Sincerely,
Symbiotics