

Dear Clients and Partners,

Below is our investment update for May 2022. All previous updates can be accessed via symbioticsgroup.com/monthly-update.

Our monthly update: The headlines are still focusing on inflationary pressures in global markets. Equity and fixed income markets across the board are showing negative returns both for May and year-to-date. Emerging market debt, represented by the JPM EMBI Global Total Return USD index, posted -13.76% year-to-date, and global debt markets, represented by the S&P Global Developed Sovereign Bond USD TR index indicated returns of -10.58% year-to-date (as at 30 May 2022).

The global economy is facing a period of disruption in growth, rising inflation and financial market volatility. Growth expectations have been revised, global economic growth is forecast to slow sharply as central banks tighten monetary policy faster than expected and Russia and Ukraine experience recessions. World Bank data shows global real GDP growth estimated at 6.1% for 2021, falling to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than projected in January.

Despite the heightened risk context, our portfolios are performing well. We see continued growth and demand; with the current risk environment showing limited impact in our markets. We are cautious in the Russia, Caucasus & Central Asia region with regards to local currencies and will remain so over coming months, as repercussions of the war play out. Local currencies are experiencing ongoing volatility, so we carefully evaluate supply and demand, transacting in US dollars as appropriate.

- **Macroeconomic update:** Inflation continues to rise along with money tightening policies. In Uganda, the annual inflation rate climbed to 6.3% in May, from 4.9% in April to reach its highest point since mid-2017, as the government took a stricter stance on fuel-price speculation. In Latin America, Peru's foreign debt reached record lows as a wave of social unrest and quickening inflation rocked the market. Inflation eased in Brazil during May but remains high, and further monetary tightening is expected. By contrast, most south-east Asian economies are experiencing higher growth than inflation as the travel and tourism industry picks up again. Georgia's tourism industry also expanded 5-fold for the first 4 months of the year, recording inflows of USD 581 million, compared to USD 139 million in 2021.
- **Currencies and interest rates:** Russia eased a key capital control that has underpinned the recovery of the ruble, which is now more than 30% stronger against the USD than it was before the war. Turkey reported the largest weekly decline of its FX reserves this year, providing further evidence that an effort to support the lira is coming at an increasingly steep cost. The Costa Rica colon has climbed steadily throughout May, despite sensitivity to global commodity prices.
- **Demand:** Symbiotics disbursed USD 99.3 million to 22 institutions in May 2022, compared to USD 87 million in May 2021 (amounting to USD 323 million year-to-date versus USD 304 million in 2021). The strongest origination for the month came from Europe and Central Asia (35% of all loans), Africa (32%), followed by Latin America (29%), and Asia (4%).

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

Sincerely,
Symbiotics