

Dear Clients and Partners,

Below is our investment update for October 2022. All previous updates may be accessed using this link: symbioticsgroup.com/monthly-update.

- **Macroeconomic update:** While geopolitical turmoil continues to rock the global economy and markets, emerging markets continue to demonstrate resilience and are outpacing the growth rates of developed markets, even as China experiences a slowdown due to continuous strict Covid-19 policies and a real estate slump. Emerging and frontier currencies are holding up better as well, outperforming their G10 counterparts year-to-date. However, capital outflows in our target markets remain at the highest level for decades, so we continue to adopt a prudent stance.
- **Currencies and interest rates:** Inflation remains high in Europe and the United States, maintaining expectations of further rate hikes. In October, the European Central Bank increased its base rate by a further 75bp, reaching 1.75%. Asian central banks are stepping up efforts to stop the decline in their currencies, as the prospect of higher interest rates hurts the appetite for risk assets. Interest rates in other regions continue to increase as well as inflation is accelerating. Overall, emerging currencies were stable during October. Exceptions were China and Colombia: the yuan fell to its lowest level since 2008 as the central bank held interest rates stable; and the peso attained a record low following a government intervention that failed to reassure investors.
- **Markets:** In the third quarter of 2022, the asset quality of our investees continued to improve, and the number of loans under moratorium continued to decrease across virtually all regions. Portfolio growth continued its upward trend, and solvability and profitability remained solid as well. In the fourth quarter, we expect capital outflows across emerging markets, due to the continuing rate hikes by the Fed as well as ongoing political tensions. The tightening of liquidity may have a negative impact on financial institutions (FIs), as our investees may not always be able to fully pass local interest rate hikes to end-borrowers. In addition, continuously high and volatile hedging costs are adding additional pressure to FIs' profitability.
 - In Caucasus & Central Asia, GDP is forecasted to grow above 3% on average, supported by high volumes of remittances and migrants from Russia. Most local currencies have recently appreciated across the region.
 - In Asia, GDP growth is projected to remain strong at 4.6% in 2022, despite increased inflation linked to higher fuel and food prices. Consumption growth has rebounded strongly thanks to the lifting of COVID-19 restrictions and the reopening of markets.
 - In Latin America, the economy continues to recover from the pandemic, and the impact of the war in Ukraine is limited. Average GDP growth is forecasted at 2.3% for 2022.
 - In Africa, inflation has intensified due to supply-chain disruptions, prompting several central banks to hike interest rates. As FIs and end-borrowers are used to this type of environment, they are quickly adapting to this new reality.

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- **Demand:** Symbiotics disbursed USD 102 million to 28 institutions in September 2022, for a total of USD 826 million year-to-date. The strongest origination for the month came from Asia (52% of all loans), followed by Africa (24%), and Europe and Central Asia (18%).

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

Sincerely,
Symbiotics Asset Management