

Dear Clients and Partners,

Below is our latest investment update. All previous updates may be accessed using this link:

symbioticsgroup.com/monthly-update.

High inflation and interest rate increases remain commonplace in most countries. Softer inflation data and signs that the pace of Federal Reserve rate rises may have peaked fueled risk appetite, while US dollar weakness was beneficial. Despite the high inflationary and climbing interest rate environment, we have seen strong demand for funding in all regions, as is traditionally the case at year-end. Demand is driven both by portfolio growth in the micro and SME market segments and by liquidity tightening in current market conditions. The result is slow, yet steady yield increases for both local and hard currencies, with borrowing institutions willing to pay higher rates than at the beginning of 2022. We expect this trend to continue in 2023, which would be positive for investor returns, although likely to result in slower demand for new funding at the start of the year.

- **Macroeconomic update:** Crude oil fell throughout November, reaching USD 76 per barrel in early December, the lowest level since December 2021 as widespread protests in China and its strict zero-covid policy hurt investor sentiment and the demand outlook. The Federal Reserve is still raising interest rates to lower demand and inflation for the US economy. Eurozone inflation remains uncomfortably high in this a challenging economic period. The European Central Bank increased interest rates, as expected, with further increases to follow. In China, the relaxation in some Covid regulations and the government support for property sector was perceived as positive developments by the market. India has shown resilience post-covid thanks notably to internal demand. Within the current global context, the political stability and the solid economic growth make India an attractive emerging market.
- **Currencies and interest rates:** Year-to-date, the rising US dollar has negatively impacted emerging market currencies. In November however, emerging market currencies were broadly strong versus the US dollar, given an attractive real interest rate. In Africa, South Africa raised the benchmark rate to 7% to anchor inflation expectations. Whilst Ghana reached an agreement for a USD 3 billion International Monetary Fund loan package which provided a recent boost for the cedi, the country has since suspended external debt payments. In Asia, the Philippine peso increased to its strongest level in over two months following an interest rate hike (+75 bps to 5%). In Latin America, Colombia's inflation accelerated for the sixth straight month to 12.53% in November, as the weakening currency weighs on the prices of products and services. By contrast, Costa Rica's annual inflation rate eased for the third month to 8.25% in November (from 8.99%), the lowest reading since April, amid slowing food and transportation prices.
- **Demand:** Symbiotics disbursed USD 129.1 million to 30 institutions in November 2022, for a total of USD 997.3 million year-to-date. The strongest origination for the month came from Latin America (49% of all loans), followed by Europe and Central Asia (18%), and Africa (16%).

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

We wish you all a relaxing and enjoyable holiday season.

Sincerely,
Symbiotics Asset Management