symbiotics
asset management

Monthly Investment Update
February 2023

Dear Clients and Partners,

The year has kicked off on a strong note with improved market sentiment and investor appetite following a muted December. Inflation has continued to ease off recent highs, market expectations seem to be improving and international markets benefited from the falling US dollar.

- **Macroeconomic update:** A positive start for 2023 with all major equity market regions and bond markets generating positive returns in January. Emerging markets equities ended the month in positive territory, outperforming their developed counterparts. This was driven by China's Covid reopening which progressed quicker than expected and a weakening US dollar. Global commodity prices decreased and inflation slowing in the US and Eurozone also created positive sentiment. Inflation is peaking in both developed and emerging markets, driven by interest rate increases, weak growth and commodity prices. Portfolio yield in emerging market debt is likely to increase in such circumstances, and as such, we believe our portfolios to be well positioned for the current environment.

- **Currencies and interest rates:** Emerging market currencies have broadly risen since the start of the year. The US dollar has depreciated year-to-date and the Federal Reserve slowed the pace of tightening in February. Both the Federal Reserve and the European Central Bank increased interest rates in a continued effort to lower inflation. A number of Latin American currencies fell against the US dollar as robust US labor market data reignited fears of a hawkish Federal Reserve. The Turkish lira also hit a record low against the dollar. The South African rand has steadily weakened year-to-date as the country struggles with an ongoing energy crisis. The Indian rupee is back to levels seen at the end of 2022 having strongly appreciated in January. The Indonesia rupiah has been by far the best performing currency in Asia with 2.5% appreciation year-to-date. The currency rally is underpinned by a healthy trade surplus and strong Foreign Direct Investment inflows.

- **Demand:** Symbiotics Investments disbursed USD 10.3 million to 5 institutions in January 2023. It is typical in our markets to see higher disbursement levels in the second half of the year, and the lowest levels in January. The strongest origination for the month came from Latin America (46% of all loans), followed by Africa (30%), then Europe and Central Asia (15%) and Asia (10%). Having completed a survey to assess funding requirements amongst investees and prospects, we see funding demand remains strong in all regions despite a continually complex and challenging market context, with estimated total demand of around USD 2.5 billion for 2023.

All previous investment updates can be accessed using this link:
symbioticsgroup.com/monthly-update.

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

Sincerely,
Symbiotics Asset Management