

Dear Clients and Partners,

This quarter saw persistently high inflation across the globe and continued interest-rate hikes by the Federal Reserve (FED). In March, concern shifted from inflation to liquidity as the banking sector came under pressure, especially in view of the failure of SVB and UBS's takeover of Credit Suisse. Nevertheless, inflation seems to recede as growth in final demand for goods and services has slowed down.

- **Macroeconomic update:** Financial markets were up in the first quarter, with equity markets rising by 2.10% year-to-date for emerging countries (MSCI Emerging Markets), 11.90% for Europe (Euro Stoxx 50) and 7.46% for the United States (S&P 500). Currently, bond markets continue to perform well year-to-date, with emerging markets up +1.75% (JPM EMBI). Recession risks are still present, with an inverted yield curve in the US, the EU and emerging countries. 10-year yields are 3.54%, 3.10% and 6.93% respectively. Commodity prices fell overall by -4.36% during this first quarter (Bloomberg Commodity Index). The price of crude oil (Brent) remains relatively stable at around USD 80.
- **Markets update by region**
 - Sub-Saharan Africa:** inflation rates vary strongly, with some major markets seeing rising inflation (South Africa, Nigeria, and Kenya) while other countries experienced a decrease towards the end of the quarter (Senegal, Ivory Coast, Botswana, Uganda, Rwanda, and Ghana). The recent debt restructuring program in Ghana has limited the supply of credit, while Nigeria has experienced a growth slowdown following elections and cash shortages.
 - East Asia:** Liquidity conditions vary across the region. In Mongolia, liquidity is tight in an uncertain economic context. Liquidity in Vietnam is high as the central bank has lowered rates and capped credit growth. Demand is strong in Cambodia, but rates are less attractive. In China, demand is healthy, with interesting opportunities thanks to attractive hedge pricing for EUR loans.
 - South Asia:** Financial institutions are experiencing strong credit demand amid a supportive macroeconomic environment. In India, the effects of the Covid-19 pandemic are waning, and in Sri Lanka the IMF bailout loan has led to more business optimism.
 - Caucasus & Central Asia:** Rating agencies confirm a neutral outlook for banks in the region. Pressure on asset quality due to disruptions in trade and supply chains and heightened inflation was offset by inflows of people and money from Russia and higher rates due to inflation.
 - Middle East & North Africa:** the region saw limited loan portfolio growth due to high interest rates, rising inflation, and a slowdown in business activities during Ramadan. Egypt's local currency depreciated 26% against the USD in Q1-23.
 - Eastern Europe:** low energy prices and influx in skilled labor contributed to economies performing better than expected. Asset quality was stable and most of our partners saw

their loan portfolio grow.

Latin America: GDP growth is expected to slow down by 1.5% in 2023 due to adverse external conditions (recessions in the USA and Europe) and specific internal challenges in some countries (social and political unrest in Peru affecting GDP negatively, Bolivia facing a dollar shortage). Inflation is showing signs of moderation and a monetary easing cycle is expected over the year. Banking fundamentals remain solid, with adequate Capital Adequacy Ratio, recovering profitability and Non-Performing-Loans under control.

- **Currencies and interest rates:** As inflation remains high globally, interest hikes were observed in March (50 bps by ECB and the FED), and are still expected to continue in May (25 bps). Inflation in the Eurozone is projected to decrease in the next two years, averaging 5.3% in 2023, 2.9% in 2024 and 2.1% in 2025. In March, US producer prices fell by 0.5% month-over-month due to the decrease in fuel prices.
- **Demand:** Symbiotics Investments disbursed USD 66.2 million to 16 institutions in March, for a total of USD 134.6 million year-to-date. The strongest origination for the month came from Asia (38% of all loans) followed by Latin America (34%) and Europe and Central Asia (28%). Symbiotics facilitated a USD 7 million Green Bond with Mufin Green Finance, in India, with a focus on SDG 7 – ensuring access to affordable and clean energy. Additionally, a USD 7.5 million green loan was arranged with AMK Microfinance Institution Plc in Cambodia, with a focus on clean transportation and renewable energy. Finally, Symbiotics Investments won, for the third consecutive year, the Award for Innovation from the Environmental Finance Bond Awards, in the category “Teams and innovative thinking”. The award-winning transaction was a USD 79 million blue bond by Banco Internacional in Ecuador, marking the first private sector blue bond in Latin America.

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

Sincerely,

Symbiotics Asset Management