symbiotics
asset management

Monthly Investment Update
15 March 2023

Dear Clients and Partners,

This month's update is completed by an article written by our CEO, David Grimaud, about the potential benefits of adding impact private debt in emerging and frontier markets to an investment portfolio.

- **Macroeconomic update:** Since the beginning of the year, inflationary pressures have eased, thanks to falling energy prices and loosening supply chains. Financial markets have been in the green since the beginning of the year, with an increase in equity markets, particularly in Europe (S&P500: +4.3%, Eurostoxx50: +13.3%, MSCI Emerging Markets: +2.4%). Oil and global commodities prices have decreased, reducing the inflation pressure on emerging countries. Crude oil prices in Europe have returned to a pre-Russia-Ukraine war level, fluctuating around USD 80 per barrel throughout the month. However, the yield curve remains inverted in the US, with a 10-year yield of 3.99% and a 1-year yield of 5.2%, which is historically a good leading indicator of a recession. Recent headlines were dominated by the shutdown of Silicon Valley Bank (SVB) and dramatic fall of Credit Suisse. While interest rates were predicted to be increased further by 50 bps, these events have put that prospect into question. Central banks will now have to walk a tight line between controlling inflation, which is still high, and not rising interest rates too high too fast. This spells further global economic and market volatility for the months ahead. In this context, private debt in emerging markets can continue to play its historical role as an effective provider of diversification, resilience, and impact.

- **Market focus**: Nigeria elected its new president in February, Bola Tinubu. The weeks before the election saw a slowdown in economic activity, worsened by the scarcity of new bank notes introduced by the end of 2022, and a record high inflation of 22% (highest in 17 years). Those events have both directly and indirectly impacted microfinance lenders, who are mostly using cash in their daily business. In Peru, protests have receded nationwide with smaller scale manifestations in the southern region of Puno. Mining operations have largely restarted (Peru is the second-biggest producer of Copper and Zinc), and according to the Central Bank, business activities have started to recover while country risk indexes continue to gradually improve since the attempted coup by former President Castillo.

- **Currencies and interest rates:** Inflation remains high and is now linked to services rather than goods. In this context, central bank policy rates could reach their peak. In February, rates are at 3% in Europe for an inflation of 8.50% and at 4.50% for an inflation of 6% in the United States. In Asia, Sri Lanka's benchmark rate was fixed by its Central Bank at 16.50%, the highest rate since August 2001. As a result, the rupee, which was the best performing currency this year, could lose 20% of its value according to Fitch. In Latin America, Peru and Paraguay's inflation slowed to 8.65% and 6.90% respectively (the lowest level since December 2021 for Paraguay).

- **Demand:** Symbiotics disbursed USD 50.9 million to 22 institutions in February, for a total of USD 68.4 million year-to-date. The strongest origination for the month came from Africa (38% of all loans) followed by Europe and Central Asia (34%), and Asia (14%).

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

Sincerely,

Symbiotics Asset Management