



In February, the Federal Reserve (FED) released the minutes from the last meeting in January, revealing unease over premature cuts. The majority of officials noted the risks of moving too quickly to ease the policy stance, while only two highlighted the risks of maintaining an overly restrictive stance for too long at last month's policy meeting. At the same time, there was a substantial rise of almost 35 basis points on 10-year Treasury notes, driven by inflation data that surpassed expectations. Specifically after the Consumer Price Index (CPI) results, which increased by 0.3% in January climbing 3.1% from a year earlier, which was faster than the markets expected. Despite this movement, our fund recorded a positive monthly return of 1.66 %.

In our last monthly commentary, we outlined our decision to increase exposure in Mexico. Despite challenges posed by the United States (US) elections noise, Mexico's primary trading partner, the country is anticipated to surpass its 30-year average growth rate. This resilience is noteworthy, especially considering the impact of the US's higher interest rates and lower growth on Mexico. However, headwinds created by these elevated interest rates are expected to be mitigated by a significant decline in inflation. Forecasts indicate a drop in inflation from 4.7% at the end of 2023 to 4% by late 2024, driven by a deceleration in the prices of energy, produce, and general goods. This substantial decrease marks a notable improvement from the peak of 8.7% recorded in September 2022. One of the significant challenges for the incoming government, with elections scheduled for June 2, 2024, will be to address Mexico's fiscal deficit resulting from increased spending on pensions and public works. Among the Mexican candidates is Claudia Sheinbaum, a member of the Morena party and the former Mayor of Mexico City. She is set to compete against Senator Xóchitl Gálvez of the Broad Front for Mexico and Jorge Álvarez Máynez from the Citizen's Movement party, who has entered the race as a replacement for León Governor Samuel García, who withdrew from the candidacy. It is noteworthy that Claudia Sheinbaum is positioned as the frontrunner in the polls, and the candidate securing a simple majority assumes office for a six-year term, with voting being voluntary. We are closely monitoring this case, seeking opportunities emerging from the volatility induced by these political events.

India's economic growth has gained momentum in the last quarter, primarily driven by a government-led initiative to enhance infrastructure. The nation reported a notable increase in gross domestic product, reaching 8.4% over the previous year in the quarter ending December, surpassing the 8.1% growth observed in the preceding quarter. In February, New Delhi revealed an annual budget allocating nearly \$134 billion for nationwide infrastructure projects, reflecting an 11% increase from the previous year. Notably, India currently holds the position of the world's fastest-growing major economy. The government has recently projected a slightly higher GDP growth of 7.6% for the ongoing fiscal year, underlining the nation's robust economic trajectory. Therefore, this economic boost compressed corporate yields, resulting in fewer opportunities, and we decided to reduce our exposure. It's noteworthy to highlight the outstanding performance of Adani Ports & Special Economic and JSW Group, our top performers this month in India.



We strategically adjust our portfolio allocation by expanding our positions in countries with a favorable risk-return ratio, like Mexico, and reducing exposure to India, in response to a significant compression in yields. Our bond portfolio boasts an average rating of BB, indicating a strong credit profile, yield to worst of 8.17% and a duration of 3.64 years.

Kind Regards,