



GALLOWAY EMERGING MARKETS BOND FUND – August 2025

U.S. data signaled a softening labor market, with hiring slowing and unemployment rising to 4.3%. Against this backdrop, expectations increased for the Federal Reserve to begin easing policy in September, though FOMC members remain divided. At the Jackson Hole symposium, Chair Powell underscored the Fed's evolving strategy, highlighting a shift toward greater flexibility in its inflation target and a stronger emphasis on labor-market resilience alongside price stability. Political tensions over central bank independence added further uncertainty. While GDP growth forecasts remain near 3.0% for Q3, risks of stagflation continue to frame the outlook. The 10-year Treasury yield ended the month 15bps lower at 4.23%, meanwhile our fund had a positive performance of **1.21%** during August.

Colombia's economy presented a combination of resilience and structural fragility. GDP grew 2.1% year-on-year in Q2, bringing first-half growth to 2.4%, above 2024 levels but below expectations. Expansion was concentrated in commerce, services, and agriculture, while mining and construction contracted. On the fiscal side, the government launched a cash tender to repurchase global bonds maturing between 2030 and 2061 and lifted the 2025 deficit target to 7.1% of GDP, following suspension of the fiscal rule. On the corporate side, Ecopetrol reported resilient 2Q25 results, with revenues of COP 29.7 trillion and EBITDA of COP 11.1 trillion, reflecting a 37.5% margin. Net income reached COP 1.8 trillion, pressured by lower Brent prices but supported by efficiency gains and portfolio diversification. Production averaged 755 mboed, consistent with guidance, driven by strong contributions from Caño Sur, CPO-09, and the Permian. Refining throughput of 405 mbd benefited from completed maintenance at Barrancabermeja, restoring full operational capacity. A solid cash balance of COP 13.1 trillion and a net debt/EBITDA ratio of 2.2x underscore financial strength.

Mexico's macroeconomic outlook in 2025 is gaining momentum, grounded in growth resilience and policy support. Banco de México upgraded its 2025 growth forecast from 0.1% to 0.6%, backed by a stronger-than-expected Q2 expansion across both industrial and service sectors. Inflation is steadily easing, with July's headline rate falling to 3.51%, and the central bank recently lowered its benchmark interest rate to 7.75%, its lowest in three years, signaling confidence in improving dynamics. Despite external trade pressures and sticky core inflation, Mexico's prudent but supportive monetary stance and robust domestic demand position it well to sustain balanced growth and reinforce investor confidence in the medium term. During the month, BBVA Mexico delivered solid 2Q25 results, with net income of MXN 24.7bn (+7.7% y/y) and loan growth of 11.5%. Deposits advanced 13.9%, while profitability remained strong with ROE at 27.2% and efficiency ratio 32.9%. Capital strength was evident, with CET1 at 16.2% and total capital ratio of 20.1%.

The fund currently has a yield to worst of **8.51%**, duration of **5.63** years and an average credit rating of **BB-**.



Kind regards,

*Institutional Class