



GALLOWAY EMERGING MARKETS BOND FUND – September 2025

In September, the U.S. economy delivered mixed signals. On one hand, second-quarter GDP was revised upward to a strong 3.8% annualized pace, underscoring resilience in activity. On the other hand, the labor market showed cracks, with private payrolls declining by 32,000, the steepest drop in over two years, and consumer confidence falling to 94.5, its lowest since April. Against this backdrop, the Federal Reserve implemented a 25bp “insurance cut.” Importantly, the decision came with remarkable consensus, with only one dissent, reinforcing the Fed’s institutional independence. The updated dot plot projects two additional cuts this year and one more in 2026, signaling a measured easing path. Meanwhile our fund had a positive performance of **0.01%** during September.

Brazil’s economy presented mixed signals. GDP grew 0.4% in the second quarter, with year-on-year expansion of 2.2%, pointing to moderate but consistent activity. Inflation pressures returned, as the IPCA-15 rose 0.48% in the month and reached 5.3% over 12 months, driven mainly by energy costs. The Central Bank reinforced in its latest minutes that the Selic rate will remain at 15% for a prolonged period, reflecting caution amid persistent price dynamics. Market expectations remained stable, with Focus projecting 2.2% GDP growth and inflation around 4.8% in 2025. On the corporate side, Ambipar and Braskem faced significant debt-related stress, with mounting concerns over liquidity, leverage, and contingent liabilities leading to sharp declines in market value. While these situations highlight ongoing fragilities in the Brazilian credit landscape, our portfolio remains fully insulated with NO positions in either company.

Argentina’s debt market faced renewed stress in September after President Milei’s party suffered a heavier-than-expected defeat in the Buenos Aires province, shaking investor confidence in the government’s reform agenda. The political setback triggered a sell-off in sovereign bonds, with spreads widening as markets reassessed execution risk. The pressure intensified amid accelerating dollar sales by the central bank to defend the peso. However, sentiment improved late in the month when the U.S. President, Donald Trump, publicly backed Argentina, signaling support through a potential US\$20 billion swap line and coordinated assistance with the World Bank. This announcement provided temporary relief, lifting bond prices and easing concerns of immediate financing stress, though volatility remains high. After La Libertad Avanza, President Milei’s party, suffered a heavier-than-expected defeat in the Buenos Aires provincial election, our bond positions were negatively impacted. As part of a proactive risk management approach, we reduced exposure to Argentina by 50% month-on-month to less than 5%, reducing portfolio vulnerability while maintaining flexibility to reassess positioning as political and economic conditions evolve.

The fund currently has a yield to worst of **8.36%**, duration of **5.21 years** and an average credit rating of **BB-**.



Kind regards,

*Institutional Class