



## **GALLOWAY EMERGING MARKETS BOND FUND – December 2025**

In December 2025, the Federal Reserve delivered a 25 bp rate cut, lowering the federal funds target range and reinforcing a more accommodative stance amid softer labor-market conditions and easing inflation pressures. The FOMC statement reiterated a data-dependent approach, while the minutes revealed a divided Committee, with some members favoring a pause after December given lingering uncertainty around inflation dynamics. Looking ahead, market pricing currently implies roughly an 84% probability that rates will be left unchanged at the next FOMC meeting in late January, suggesting investors expect the Fed to assess the cumulative impact of recent easing before resuming any further adjustments. The 10-year Treasury yield ended the month 15bps higher at 4.17%, our fund recorded a positive return of **1.76%** in December and ended 2025 with a gain of **10.88%**.

Brazil's COPOM kept the Selic rate unchanged at 15.00%, maintaining a cautious and restrictive stance. The minutes reinforced a data-dependent approach and highlighted the need to keep monetary policy tight to ensure inflation convergence. Despite some moderation in recent inflation readings, market expectations point to rate cuts starting only in March, not at the January meeting, reflecting lingering inflation risks and uncertainty around the macroeconomic outlook. On the corporate side, Yinson's Boronia (FPSO Anna Nery) and Bergenia (FPSO Maria Quitéria) projects delivered solid Q3 FY2026 results, supported by strong operational performance and resilient cash generation. Boronia posted stable revenues, high EBITDA margins and near-perfect uptime, with DSCR comfortably above covenant levels and a long-dated contracted backlog. Bergenia continued its normalization phase, maintaining high technical and commercial uptime, steady production and robust EBITDA, while benefiting from long-term contracted revenues and contractual protection during the temporary standby period.

Colombia's central bank (BanRep) kept the policy rate unchanged at 9.25%, reflecting a cautious stance amid persistent inflation risks and strong domestic demand. The decision was taken by a divided Board, with some members initially favoring tighter policy but ultimately opting for a hold to preserve consensus. The minutes highlighted a more hawkish bias, noting that the disinflation process stalled in 2025, inflation expectations have drifted higher, and real rates have become less restrictive. On the corporate side, Moody's affirmed Banco Davivienda's AT1 subordinated notes at B2 and improved the bank's outlook from negative to stable. The minutes cited better profitability, stronger asset-risk management and progress integrating former Bank of Nova Scotia subsidiaries, supporting overall credit quality. This shift is particularly constructive for Davivienda AT1 instruments, which benefit from rating stability, solid tangible equity ratios above regulatory minimums and improved funding and liquidity trends. The action reinforces confidence in the bank's hybrid capital structure and highlights the resilience of subordinated debt exposure to Colombia.



Whilst we currently hold NO Venezuela OR PDVSA exposure, at the time of this writing the USA executed an arrest warrant incursion into Caracas, Venezuela for its President, Nicolas Maduro, and his wife, Cilia Flores, both currently being held for drug, weapon and narco conspiracy charges in New York City. In the meantime, Vice President Delcy Rodriguez was sworn in as the country's new President and her brother Jorge Rodriguez reelected as head of the national assembly. Meanwhile Politico, a Washington based news source, has come out saying that the sources familiar to the matter say the US expects this Rodriguez' interim government should be cracking down on drug flows, kicking out Iranian, Cuban and other non-US friendly operatives from Venezuela and stop the sale of oil to US hostile countries, and that President Delcy Rodriguez should eventually (no timeline defined) facilitate free elections and step aside. Venezuela Sovereign bonds rallied some 30% on the news over the weekend. We are currently monitoring the events and their repercussions in Latam.

The fund currently has a yield to worst of **8.21%**, duration of **5.13 years** and an average credit rating of **BB-**.

Kind regards,

\*Institutional Class