



GALLOWAY EMERGING MARKETS BOND FUND – April 2026

April was marked by a more complex macro landscape than markets initially expected. Geopolitical tensions in the Middle East, particularly involving Iran and key energy routes such as the Strait of Hormuz, pushed oil prices significantly higher, now up roughly 45% since the start of the conflict. This trend has kept inflation concerns elevated, while at the same time weighing on global growth expectations. In the U.S., economic data remained resilient, especially in the labor market and consumption, reducing the likelihood of a faster pace of rate cuts. In this context, the Federal Reserve kept interest rates unchanged in the 3.5%–3.75% range for the third consecutive meeting, highlighting ongoing uncertainty driven by the conflict and still-elevated inflation. As a result, investors are increasingly discussing the possibility of a stagflationary environment, where inflation remains high despite slower growth. Reflecting this shift, the 10-year Treasury yield moved from 4.32% to 4.39% over the month, as markets adjusted expectations for monetary policy. In this environment, the fund delivered a return of **3.33%*** in April.

In Brazil, the backdrop remains challenging, with inflation expectations continuing to drift higher and the market adjusting to a slower and more cautious pace of interest rate cuts. This reflects both persistent price pressures and a more complex fiscal and political landscape. At the same time, political uncertainty is gradually increasing as the electoral cycle approaches, with recent polls showing a more competitive and less predictable race between Lula and Flavio Bolsonaro. Even in this context, dislocations continue to create attractive entry points. During the month, our position in Braskem was a key contributor, delivering a total return of 20.4%. We initiated the position after a sharp sell-off, at levels we considered overly discounted relative to fundamentals, as part of a tactical allocation to capture a short-term market distortion.

In Mexico, growth is showing signs of moderation, adding complexity to the policy outlook and reinforcing a more cautious stance from the central bank. This softer activity backdrop, combined with still-tight financial conditions, has led investors to increasingly discuss a mild stagflationary scenario. At the same time, recent government initiatives, including the expansion of social programs and income-support measures, may help sustain consumption in the short term, but could also add pressure to fiscal dynamics over time. Inflation, while gradually easing, remains above the central bank's target, limiting room for a more aggressive easing cycle. In this context, the position in Órbia stood out as one of the main contributors to the fund's performance during the month, delivering a total return of 9.4%.

Ecuador continues to stand out for its relative macro stability, supported by low inflation (around 2.3% YoY), reinforcing the anchoring effect of dollarization, alongside a gradual improvement in economic conditions. The country has also maintained access to capital markets, including a recent USD 4 billion bond issuance combined with a liability management exercise, helping to strengthen its near-term funding profile. During the



month, one of the fund's key contributors was a long-dated Ecuadorian sovereign bond (2040), which delivered a return of 7.4%. This position reflects our constructive view on the country's trajectory.

In this context, the fund has a yield to worst of **8.33%**, a duration of **5.6** years, and an average credit rating of **B+**.

Kind regards,

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