



## **GALLOWAY EMERGING MARKETS BOND FUND – May 2026**

May was marked by a further deterioration in the global macro context as geopolitical tensions in the Middle East continued to disrupt energy markets. The ongoing conflict involving Iran and the effective closure of the Strait of Hormuz pushed oil prices higher, with Brent crude approaching USD 95/bbl and remaining near four-year highs. This dynamic reinforced concerns that higher energy prices could generate broader inflationary pressures while simultaneously weighing on global growth expectations. In the U.S., economic activity remained relatively resilient, particularly in the labor market, where employment indicators continued to point to stable conditions despite growing uncertainty. Against this backdrop, investors increasingly questioned the likelihood of near-term monetary easing. Concerns regarding persistent inflation, elevated fiscal deficits and the potential for second-round effects from higher energy prices led markets to adopt a more cautious view regarding the path of interest rates. As a result, Treasury yields moved higher across the curve, with the 10-year Treasury yield rising from 4.37% to 4.45% during the month, while the 30-year Treasury yield approached 5.2%, its highest level since 2007. Credit spreads also widened modestly as investors demanded additional compensation for inflation and geopolitical risks. In this environment, the fund delivered a return of **0.77%\*** in May and **2.43%\*** year-to-date.

In Brazil, the macro backdrop remained challenging, with inflation expectations staying elevated and economic activity proving more resilient than anticipated. First-quarter GDP expanded 1.1% QoQ, supported by stronger consumption and investment, reinforcing the view that the economy continues to operate above potential and reducing room for a faster easing cycle despite restrictive monetary conditions. As a result, markets continued to adjust expectations toward a slower and more cautious pace of interest rate cuts. At the same time, fiscal concerns remained in focus. The National Treasury maintained a conservative funding strategy, with debt issuance concentrated in floating-rate securities, while gross public debt continued to trend higher. Although the government preserved a comfortable liquidity position, investors remain attentive to the fiscal outlook and its implications for long-term interest rates. Even in this environment, dislocations continue to create attractive entry points. During the month, our position in Aegea was a key contributor, delivering a total return of 13,32%.

Argentina continued to show signs of economic normalization during May, supported by stronger-than-expected activity data and improving external accounts. Economic growth remained driven by agriculture, energy and export-oriented sectors, while the current account surplus strengthened on the back of a robust trade balance. At the same time, financial inflows remained positive, helping sustain foreign exchange liquidity and contributing to a relatively stable currency environment. While political uncertainty ahead of the midterm elections remains a key risk to monitor, the macroeconomic backdrop has become more constructive than in previous years. During the month, one of the fund's key contributors was Buenos, which delivered a total return of 4,74%.



In Mexico, economic growth continues to show signs of moderation, despite remaining more resilient than initially expected. While manufacturing exports remained resilient despite uncertainty surrounding U.S. trade policy, consumption has softened amid slower wage growth and weaker remittance flows. At the same time, elevated interest rates continue to weigh on investment, leading businesses to remain cautious regarding expansion plans. Inflation has gradually eased but remains above the central bank's target, limiting room for a faster pace of monetary easing. Meanwhile, uncertainty regarding future trade relations with the United States continues to affect investor confidence and the broader economic outlook.

In this context, the fund has a yield to worst of **8,51%**, a duration of **5,2** years, and an average credit rating of **B+**.

\*Institutional Class (CLASS C USD) – ISIN: LU1090153773 – TICKER: GALGEMC.