GALLOWAY EMERGING MARKETS BOND FUND – August 2026

August passed without a Federal Reserve policy meeting, and market attention concentrated on the Jackson Hole symposium at the end of the period. In his first keynote as Chairman, delivered on August 28, Kevin Warsh expressed concern over elevated inflation and indicated that rates could need to move higher if more progress is not achieved, noting that the summer readings, while better than expected, do not suggest that underlying trends have meaningfully improved. He recommitted to the 2% PCE objective as a firm and fixed target and again declined to offer forward guidance. The repricing was immediate: on the day of the speech the two-year Treasury yield rose more than 12 basis points to 4.356%, the ten-year advanced above 4.72% and the thirty-year traded near 5.21%, while fed funds futures moved to price a 60.4% probability of a quarter-point hike in September, up from around 56% beforehand. In this environment, the fund delivered a return of **0.24%*** in August, bringing its year-to-date performance to **2.68%**.

In Brazil, the Copom continued its gradual easing cycle, lowering the Selic by 25 basis points to 14.00% on August 5 in a unanimous vote, the fourth consecutive reduction of identical size and a cumulative one percentage point from the 15.00% plateau. The statement avoided signalling the next steps and reiterated data dependence, and the market reaction was driven mainly by that communication, with the dollar weakening and the local equity market retreating. The inflation data supported the direction of travel: the IPCA for July, published on August 11, rose 0.07%, bringing the twelve-month figure down from 4.64% to 4.44% and returning inflation below the 4.5% upper tolerance bound, although still distant from the 3.0% target centre, with housing and electricity tariffs accounting for the largest impact. Campaigning for the October general election formally began in the second half of the month, and we expect Brazilian risk premia to become increasingly sensitive to polling data through the third quarter. At the portfolio level, we began reducing our position in Braskem during the month. We built the position in the high 30s and the bonds are currently trading close to 45 cents on the dollar, a rally driven by improved terms for bondholders and by the company's decision to file for an extrajudicial rather than a judicial reorganization. We continue to see value in the name but consider it prudent to realize part of the gain at these levels.

Colombia entered a new administration during August. President Abelardo de la Espriella was inaugurated on August 7 and set out a programme built on public spending austerity, a comprehensive tax reform, elimination of the wealth tax and a strengthened role for Ecopetrol, although the conversion of those commitments into fiscally sustainable measures against a fragmented Congress remains the central question. Monetary policy stayed restrictive, with the minutes published on August 5 confirming the policy rate held at 12.0% by majority vote. We continue to hold Ecopetrol, one of the fund's largest positions. From a credit perspective, the incoming administration's commitment to expanded oil and gas exploration is a constructive change of direction for the company's reserve replacement profile, and we remain comfortable with the credit given its position as the dominant

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integrated operator in the country and its cash generation, while recognizing that the rating remains closely tied to that of the Sovereign.

In Argentina, the disinflation trend paused. The July CPI, released by INDEC on August 13, rose 2.1% month on month against 1.9% in June, taking the twelve-month rate to 33.8%. The acceleration was concentrated in items linked to the winter holiday period and was in line with private sector consensus, while forecasts for August pointed to a renewed deceleration. Our reading is that the July print reflects seasonal factors rather than a change in the underlying dynamic, although the behaviour of core inflation over the coming months remains the relevant test. Whilst an electoral risk premium has come into play over the last couple of weeks, we believe it is still early to be concerned by it and we remain constructive in the Sovereign turnaround story.

In this context, the fund has a yield to worst of **8.52%**, a duration of **3.91 years**, and an average credit rating of **B+**.

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