During the latest FOMC meeting on March 19, as anticipated, the FED maintained interest rates at 5.25%-5.50%, unchanged since July 2023. Chairman Powell hinted at potential rate decreases in the near future, contingent upon economic indicators. However, the Committee took a more hawkish stance, emphasizing that any reduction is subject to inflation easing towards 2%. In February, the core PCE increased by 0.3% month-to-month, with the full index rising at a 2.5% annual rate, up from 2.4% in January. Despite slightly surpassing expectations, Powell remains optimistic, anticipating a decrease in prices throughout 2024. Although the 10-year Treasury notes remained almost flat during March, rising only 5 basis points, our fund recorded a positive monthly return of 1.6%.

In March, Prabowo Subianto, Indonesia's defense minister, was declared the winner of the presidential election with 58.59% of the votes and is set to assume office in October 2024. He promised to continue the current president, Joko Widodo's economic development plans, which capitalized on Indonesia's abundant nickel, coal, oil and gas reserves. Indonesia's CPI in March slightly exceeded market expectations, primarily driven by food prices. As anticipated, the Bank of Indonesia maintained its policy rate at 6.0%, with the sequence of easing monetary policy likely to be guided by improvements in external conditions and liquidity, in line with potential moves in the Fed Funds rate. The country's GDP growth is expected to remain robust in 2024, projected at 4.9%, and to accelerate to 5.5% in 2025, supported by strong domestic investment and consumption. Additionally, inflation is under control and forecasted to stay within Indonesia's target band, with a projection of 2.7% by the end of 2024 and a slight increase to 3.0% by the end of 2025. In this way, our top performers in Indonesia this month were Kawasan Industri Jababeka Tbk, and Bukit Makmur Mandiri Utama, which repurchased $153 million of its $366 million notes at par value.

During this month, we continued our strategy to optimize yields by reducing our positions in Brazil and India, while actively exploring better opportunities in other regions. One notable move was our decision to initiate new positions in Banco de Crédito e Inversiones' (BCI) recently issued a BB+ Additional Tier 1 (AT1) debt in Chile. BCI holds an A- rating, in line with Chile's sovereign rating, and demonstrates impressive metrics, including a Common Equity Tier 1 (CET1) ratio of 11.1% and a Return on Equity (ROE) of 13%.

Our bond portfolio maintains an average rating of BB, reflecting a robust credit profile, with a yield to worst of 8.29% and a duration of 3.50 years.

Kind Regards,