

GALLOWAY

HIGH YIELD EMERGING MARKETS BONDS

TABLE OF CONTENT



	Content	Page
1.	The Firm and The Team	3-5
2.	Global Emerging Markets HY Bonds	6-13
3.	Macro Vision	14
4.	Our Edges	15-16
5.	The Fund Characteristics	17-18
6.	Investment Process and Risk Management	19-25
7.	Fund AUM and Client Base	26-27
8.	Share Classes	28
9.	Appendices: News	29-33
	Appendices: Group Chart Structure and Team Bios	34-36
10.	Contact Us and Disclaimer	37

GALLOWAY

The logo for Galloway features the word "GALLOWAY" in a bold, blue, sans-serif font. The letter "O" is replaced by a white wireframe globe icon with a blue gradient.

THE FIRM AND THE TEAM

THE FIRM



- Founded in 2009, Galloway Gestora de Recursos Ltda. (“Galloway”) is a well established asset management firm based in Brazil with focus on the EM debt. Galloway is authorized and regulated by the Comissão de Valores Mobiliários (the “CVM”);
- The principals have a combined experience of 40 years and focus on emerging markets. They have worked together since the fund inception, and have invested most of their liquid assets in the fund;
- Flagship Fund “**Galloway Emerging Markets High Yield Bond Fund**” is an actively managed long-only fund investing in global EM corporate and sovereign bonds.
- We have built a large network of senior industry and counterparty relationships around the world which provides access to research and liquidity. As such we can quickly access the information and to take the investments decisions in a short period of time;
- We are a team of 5 people as explained in the group structure chart in Appendix.

THE TEAM



PORTFOLIO MANAGERS

Nathan Shor
Ulisses de Oliveira

RISK MANAGEMENT & OPERATIONS

João Ferrari, CFA

RESEARCH

Marilia De Paris

ADM & COMPLIANCE

Arie Milner

GALLOWAY

The logo for Galloway features the word "GALLOWAY" in a bold, blue, sans-serif font. The letter "O" is replaced by a white wireframe globe icon with blue lines, representing global connectivity.

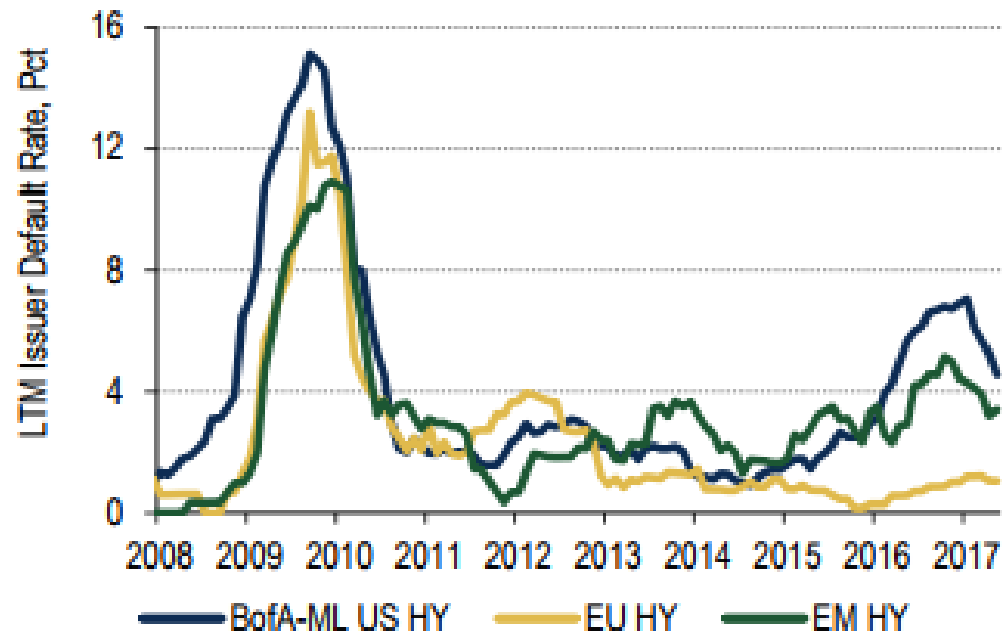
GLOBAL EMERGING MARKETS HY BONDS

GLOBAL EMERGING MARKETS HY BONDS



Default Rates in EM-HY, EU-HY and US-HY since 2008.

Chart 33: Last 12M Issuer-Weighted EM and DM HY Default Rate

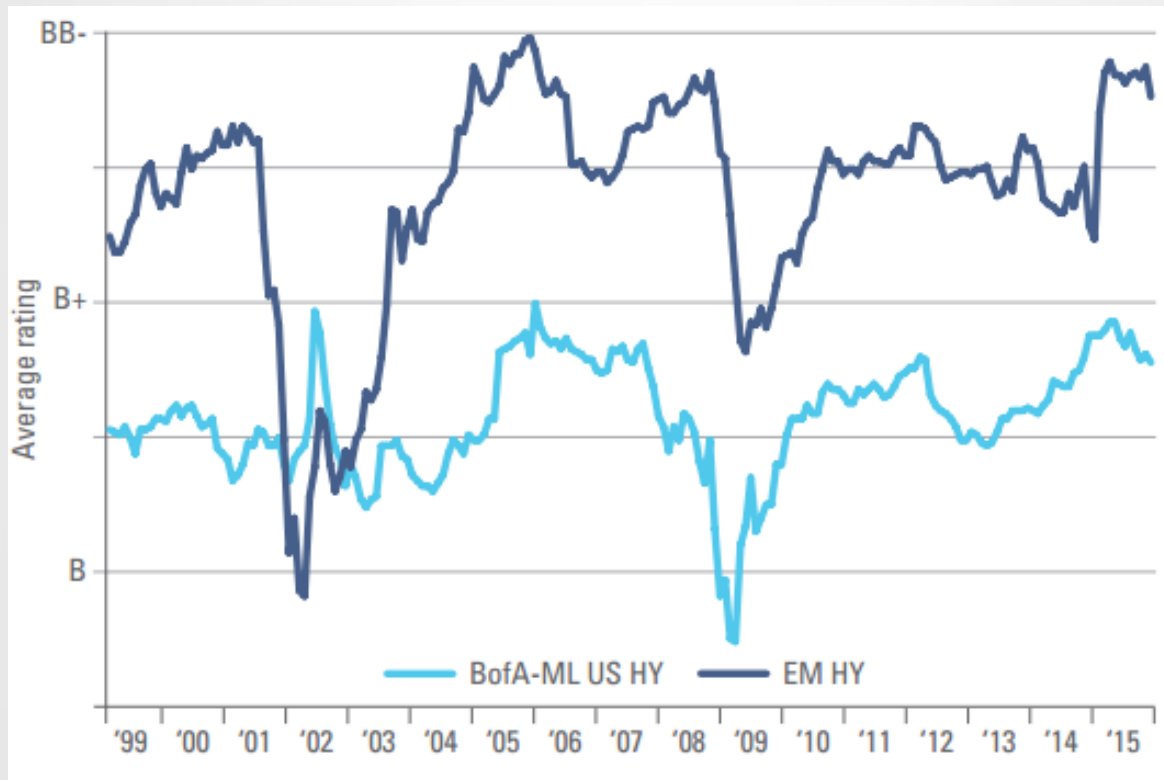


Source: BofA Merrill Lynch Global Research

GLOBAL EMERGING MARKETS HY BONDS



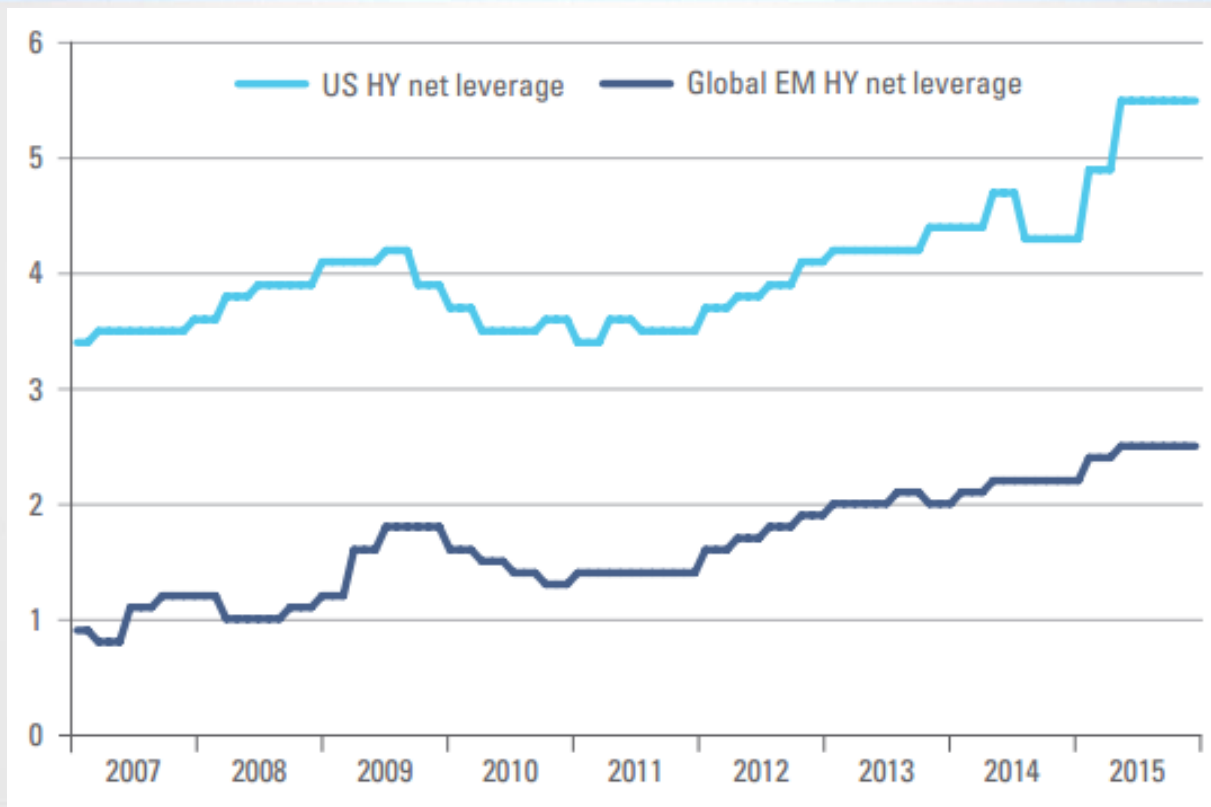
Average ratings for EM-HY vs US-HY corporates: EM-HY averages BB- compared to US-HY B+, reflecting in part that EM-HY corporates have much lower net leverage explained in the next slide.



GLOBAL EMERGING MARKETS HY BONDS



Net leverage : EM-HY corporates have much lower net leverage (2.5x) than US-HY (5.5x).

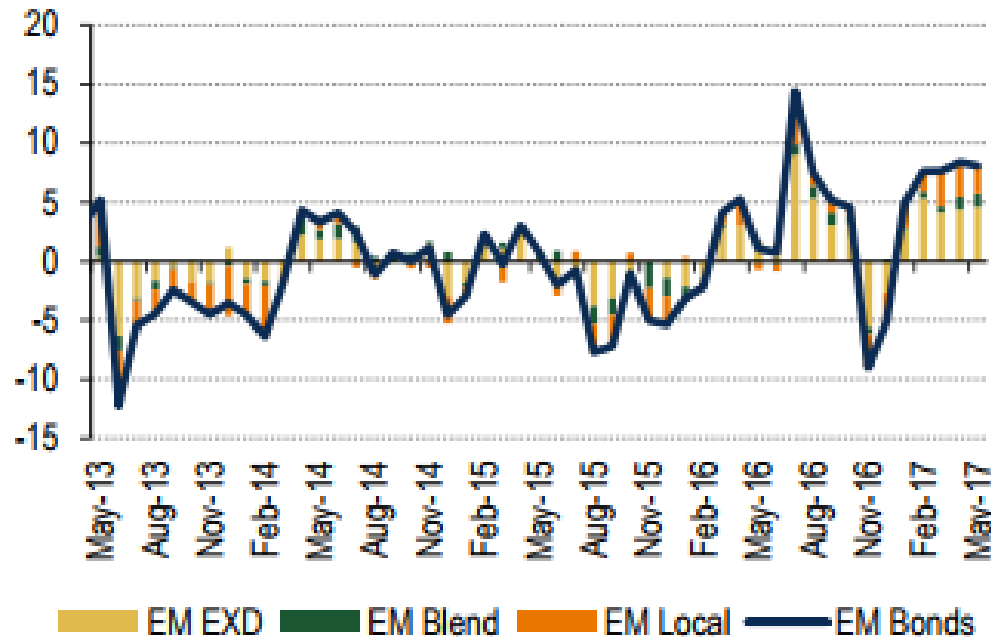


GLOBAL EMERGING MARKETS HY BONDS



Since Brexit, inflows to higher-yielding assets have been exceptionally strong, preference for hard currency since investors still expect the dollar to appreciate against EM currencies.

Chart 39: Flows to EM Bond Funds by Category (\$US bn)



Source: EPFR Global, BofA Merrill Lynch Global Research. As of 5/31

GLOBAL EMERGING MARKETS HY BONDS



Correlation: Galloway Emerging Markets High Yield Bond Fund with SP and UST.

The correlation of our fund with Itrrov (iBoxx USD Treasuries Total Return Index) is negative.

It is however positively correlated to equities.

	SPX	ITRROV	Galloway EM HY Bond Fund
SPX	1,000	-0,451	0,703
ITRROV (USD Treasuries Total Return Index)	-0,451	1,000	-0,236
Galloway EM HY Bond Fund	0,703	-0,236	1,000

Source: Bloomberg Jul 2017

GLOBAL EMERGING MARKETS HY BONDS



- Emerging Markets countries in general have higher expected growth rates with often lower leverage when compared to developed markets;
- Certain Emerging Markets countries still show gaps between its current ratings and their macroeconomic reality providing opportunities to obtain higher returns when upgrades pre-rating occur;
- The EM HY bonds market is dominated by large institutional funds with liquidity problems;
- When there is a redemption need from such large institutional funds and private banks' clients, large amount of bonds available in the market at discount. This creates opportunity for Galloway;
- EM has significantly fewer HY issuers than the US. This clearly presents opportunities for growth in EM issuance.



HY EM Sovereign and Corporate Debt - Asset Class Characteristics and Size

- Market Size (source Bloomberg: Jan17)
 - HY Corporates and Quasi Sovereigns Gross Issuance : **2016 = USD 90bln**
 - IG Corporates Gross Issuance : **2016 = USD 261bln**
 - Total Global EM Corporates and Quasi Sovereigns: **2016 = USD 351bln**
- Transparency: live screens, trace, Market Axess trading platforms, Bloomberg and Euroclear.
- Currency: US Dollar denominated (95~100%);
- Jurisdiction: Majority of Issues Governed by NY or English Law;
 - Ability to obtain judgment against issuers
 - Subject to local bankruptcy proceedings
 - Many issuers now have assets outside of home country.

MACRO VISION



- “New Normal”: tendency for the developed economies to maintain its low nominal interest rates;
- Several companies in EM had improved the management in the last years, allowing better access to capital, raising bonds for refinancing reasons rather than credit problems;
- Lower duration on EM HY is a mathematical consequence of the higher yield; represents an opportunity to benefit from spread compression when spreads return to their historical levels;
- More issues, smaller average size than sovereign bonds makes diversification easier but liquidity risk more acute;
- Should the FED raise interest rates, our product offers moderate duration and substantial spread pick up to the comparable risk free, and substantial spread over UST.

GALLOWAY



OUR EDGES

OUR EDGES



- A boutique and nimble firm with a niche focus on Emerging Markets HY bonds, in-house research and a global network of local players;
- Due to our fund size and the percentage of the issues that we invest in, we have the agility to buy and sell small amounts and take advantage of the markets' liquidity inefficiencies;
- Active trading. Our investment decision process takes a few minutes for special cases, and for this reason we can quickly access the market;
- Due to our portfolio diversification we can reduce the impact of a single name default or drawdown;
- Straight access to Portfolio Managers, we are very transparent and usually open and discuss our portfolio to our clients;
- Identify the best investment opportunities in the Emerging and Frontier Markets, **providing clients non-leveraged equity-like returns with fixed income seniority.**

GALLOWAY



THE FUND CHARACTERISTICS

THE FUND CHARACTERISTICS



- Fund Strategy: long-only fund investing in global EM corporate and sovereign bonds. No leverage;
- The Fund is suitable for investors who want to participate on HY EM market with diversification, liquidity and dedicated team. The fund is not indexed so that we don't become a constrained investor;
- Low Duration of bonds: from 3.0 to 4.5 years;
- Strong diversification: around 25 countries and 100 bonds (70 issuers);
- Typical yield: from 6 to 8%;
- Target NET returns: +6 to 8 % net p.a.;
- Very small participation per issue (on average 0.2%), high liquidity;
- Luxembourg UCITS IV, daily liquidity with 10 business days notice;
- Reputable fund service providers:
 - Custodian: Deutsche Bank Lux
 - Administrator: Deutsche Bank Lux
 - Ernst & Young as auditor

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INVESTMENT PROCESS AND RISK MANAGEMENT

INVESTMENT PROCESS



GENERATION OF INVESTMENT IDEAS

- Experienced investment team focused on Emerging Markets: over 40 years of EM combined experience;
- Proprietary Research: In depth analysis of opportunities through company visits, calls and meetings with companies' top management;
- Sell Side & In House Research: wide network of relationships with counterparties around the world (investment funds, brokers, banks, etc.) providing a deeper level of information and access to local expertise;
- Committee's based investment decisions:
 - Daily: Meetings to discuss investment opportunities;
 - Weekly: Credit and Investment Committees;
 - Monthly: Strategy and Risk Management Committees;
- Replacing good ideas with better ideas, we change a position when we find a bond with:
 - The same risk and a higher yield;
 - The same yield and a lower risk;

INVESTMENT PROCESS



The main outcome is to understand why a bond pays what it pays.



If we believe we understand the story, we start the Investment Process of Initial Score Card, Top Down and Bottom Up analysis.



If we did not understand the story, we stop the analysis at this point.

INVESTMENT PROCESS

INITIAL SCREENING SCORECARD



COMPANY	YES/NO	OBS
Listed	No	Does the company has shares in a publicaly traded exchange?
Rated	Yes	Is the company rated by one of the three main (S&P, Moodys, Fitch) rating agencies?
Audited	Yes	Is the company audited by one of the five main auditors by more then three years?
Transparent Industry	Yes	Is the company covered by sell side banks, both for equity and fixed income analysts?
Transparent Company/ IR friendly	Yes	IR friendly. Does the company respond properly to requests? Are major shareholders transparent?
Issuance Liquidity	Yes	Is the current issue amount outstanding over USD 300 million?
Management Changes	Yes	Has top management been in the company for the last 3 years?
Related party Transactions	Yes	Does the company has any intercompany loans, facilities?
Persistent Negative FCF	No	Has the company been burning cash for longer than 3 years?
Support from banks	Yes	Does the company enjoy easy access to banking credit?
History of Default	No	Has the company had any major restructuring in the last ten years?
Other Businesses	Yes	Does the company has any other non related businesses?

INVESTMENT PROCESS TOP DOWN ANALYSIS



Macro Stories

- Main Country Issuers Opinion
- Political Factors
- Currency
- Country Credit Cycle

Sector Strategy

- Global
- Local

Technical

- EM Flows
- Individual Flows
- New Issues

INVESTMENT PROCESS BOTTOM UP ANALYSIS



Intelligence

- Local Network
- Research Trips
- In House: Information and Data Providers
- SELL SIDE: Research
- Direct contact with the companies

Issuer Criteria

- Leveraged Plays
- Fallen Angels
- Character of ownership
- Use of Proceeds

Deal Analysis

- Size
- Lead Managers
- Debt Subordination
- Covenants

Bottom Line

- Cash Flow
- Stress Test



Galloway Emerging Markets High Yield Bond Fund

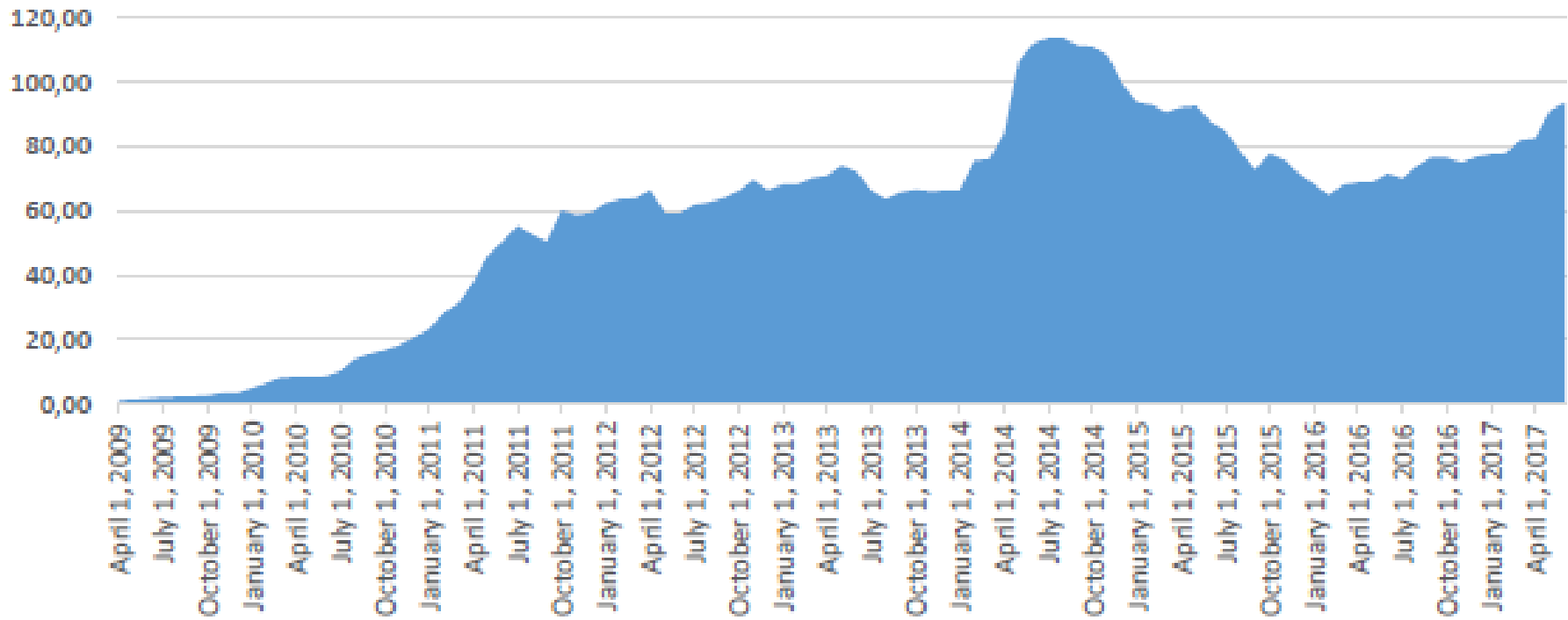
(All bonds must be Euroclearable/DTC/Clearstream)

Country Risk	<ul style="list-style-type: none"> • Limit of 20% for single countries • Limit of 40% for Brazil, Russia, India or China 												
Corporate Risk	<ul style="list-style-type: none"> • Limit of 5% per individual corporate credit at cost • Limit of 20% per individual Sovereign Bond at cost 												
Credit Risk	<ul style="list-style-type: none"> • High Yield • Average Credit Rating: B+/BB 												
Currency Risk	<ul style="list-style-type: none"> • We invest mainly in USD dollars, since more than 90% of EM HY Bonds are issued in this currency 												
Liquidity Risk	<ul style="list-style-type: none"> • We have an internal classification of liquidity according to the size of each issue (in USD): <table style="margin-left: 20px;"> <tr> <td>1. (<100mln)</td> <td rowspan="2">}</td> <td rowspan="2">↓ 10%</td> </tr> <tr> <td>2. (100-200mln)</td> </tr> <tr> <td>3. (200-300mln)</td> <td rowspan="2">}</td> <td rowspan="2">30-50%</td> </tr> <tr> <td>4. (300-500mln)</td> </tr> <tr> <td>5. (500 – 1bln)</td> <td rowspan="2">}</td> <td rowspan="2">↑ 40%</td> </tr> <tr> <td>6. (>1bln)</td> </tr> </table>	1. (<100mln)	}	↓ 10%	2. (100-200mln)	3. (200-300mln)	}	30-50%	4. (300-500mln)	5. (500 – 1bln)	}	↑ 40%	6. (>1bln)
1. (<100mln)	}	↓ 10%											
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3. (200-300mln)	}	30-50%											
4. (300-500mln)													
5. (500 – 1bln)	}	↑ 40%											
6. (>1bln)													

FUND AUM SINCE INCEPTION



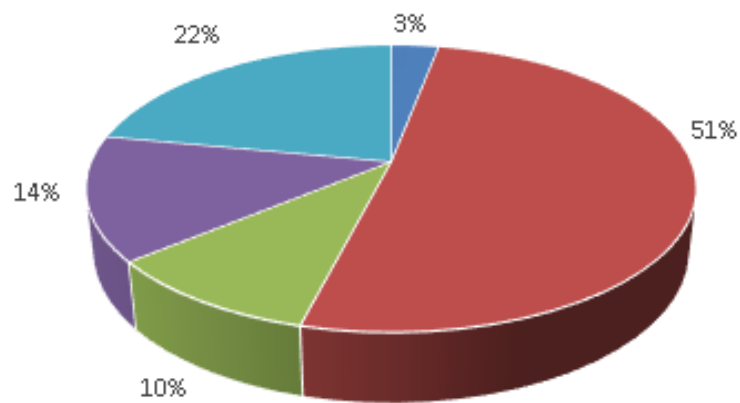
Assets Under Management (USD MM)



CLIENT BASE

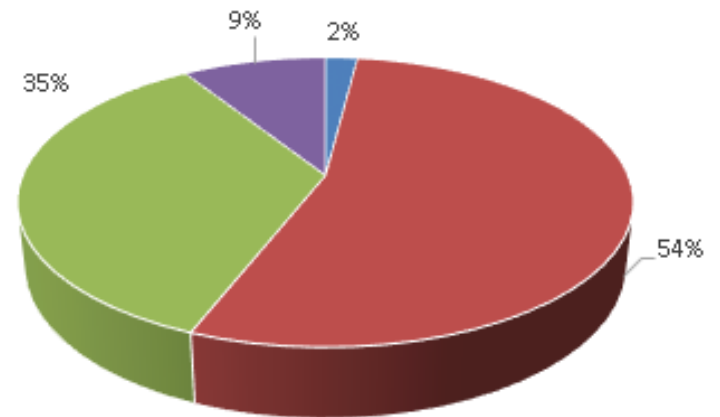


Type of Clients



■ Advisor ■ Single and Multi FO ■ Asset Managers ■ Private Banks ■ HNWI

Clients Location



■ Asia ■ Europe ■ Latam ■ US

SHARE CLASSES



SHARE CLASSES	Short Description	ISIN	Mgmt. Fee	Perf. Fee *	Min. Investment	Add. Subscriptions
Galloway Emerging Markets High Yield Bond Fund - Class A	Retail Class	LU1090153690	2,00%	20%	1.000,00	1.000,00
Galloway Emerging Markets High Yield Bond Fund - Class B	Standard Class	LU0972237696	1,50%	15%	100.000,00	25.000,00
Galloway Emerging Markets High Yield Bond Fund - Class C	Institutional Class	LU1090153773	1,00%	10%	3.000.000,00	1.000.000,00
Galloway Monthly Income EM. HY. Bond Fund Class B	Income Class: 0.5%	LU0972098551	1,50%	15%	100.000,00	25.000,00
Galloway Monthly Income EM. HY. Bond Fund Class Coupon	Coupon Class	LU1090153856	1,50%	15%	100.000,00	25.000,00

Liquidity	Daily NAV
Administrator and Custodian	Deutsche Bank Lux
Auditor	Ernst & Young

- We have different Share Classes depending on client's profile :
- From initial subscriptions from USD1k (Retail) to USD3mln (Institutional);
- Two monthly income coupon classes: one pays 0.5% fixed each month and the other distributes all the coupons earned;
- HWM (High Water Mark) is calculated based on the fund's NAV with no hurdle rates.

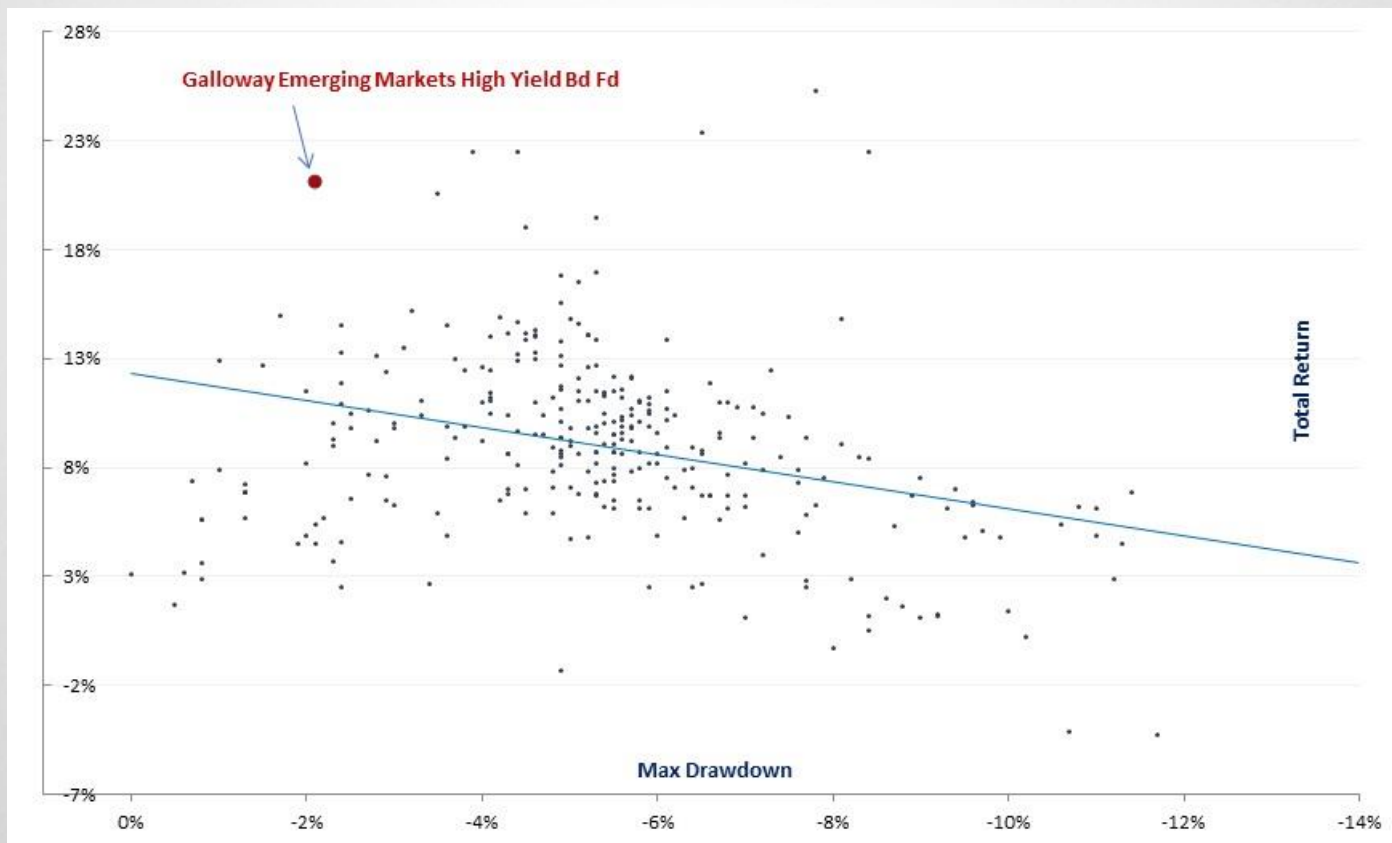
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APPENDICES



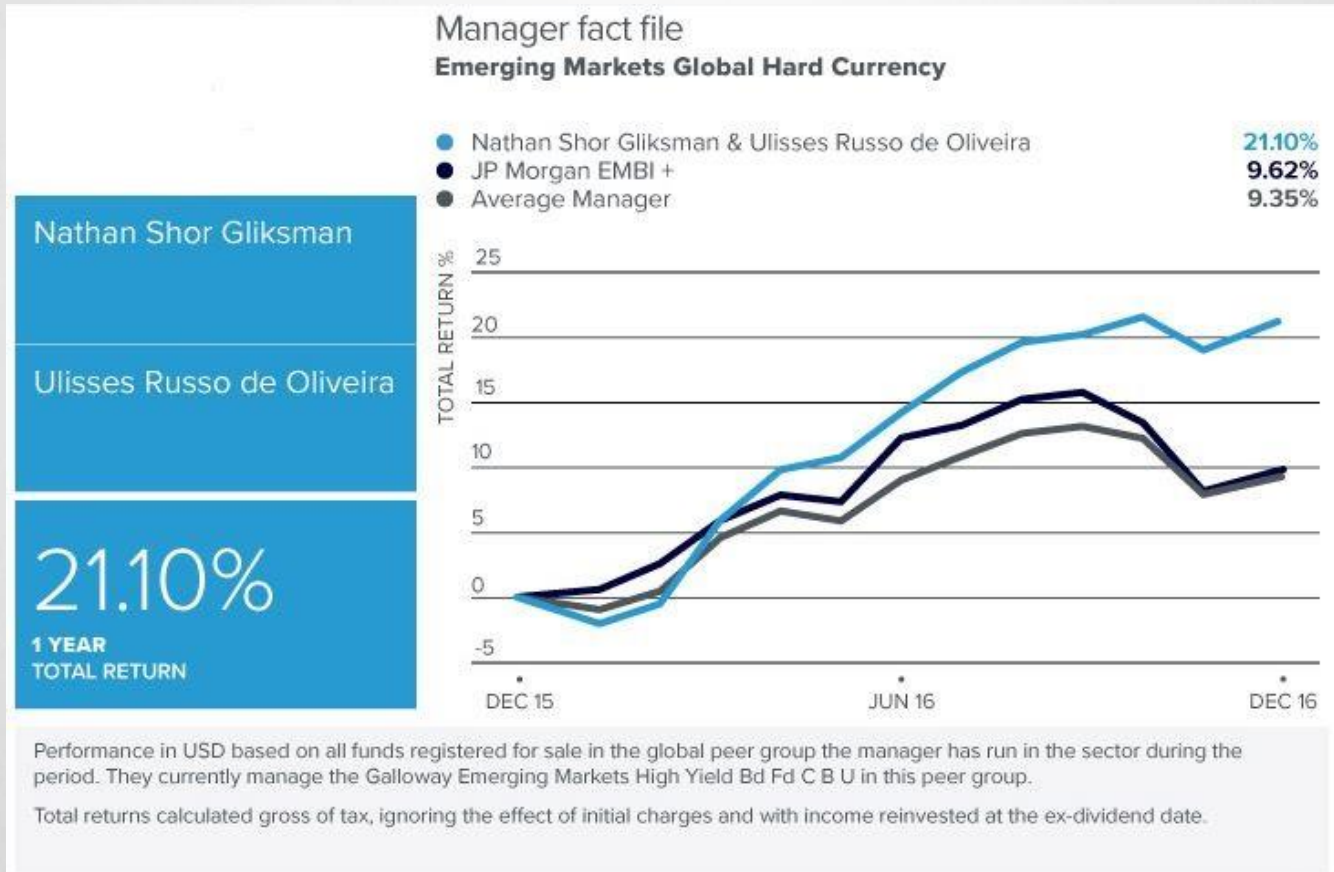
Access our website to view the latest news: <http://www.gallowaycm.com/english/news/>

Citywire Feb17: "Top performing EM bond managers of 2016 revealed"





Citywire Feb17: "Top performing EM bond managers of 2016 revealed"

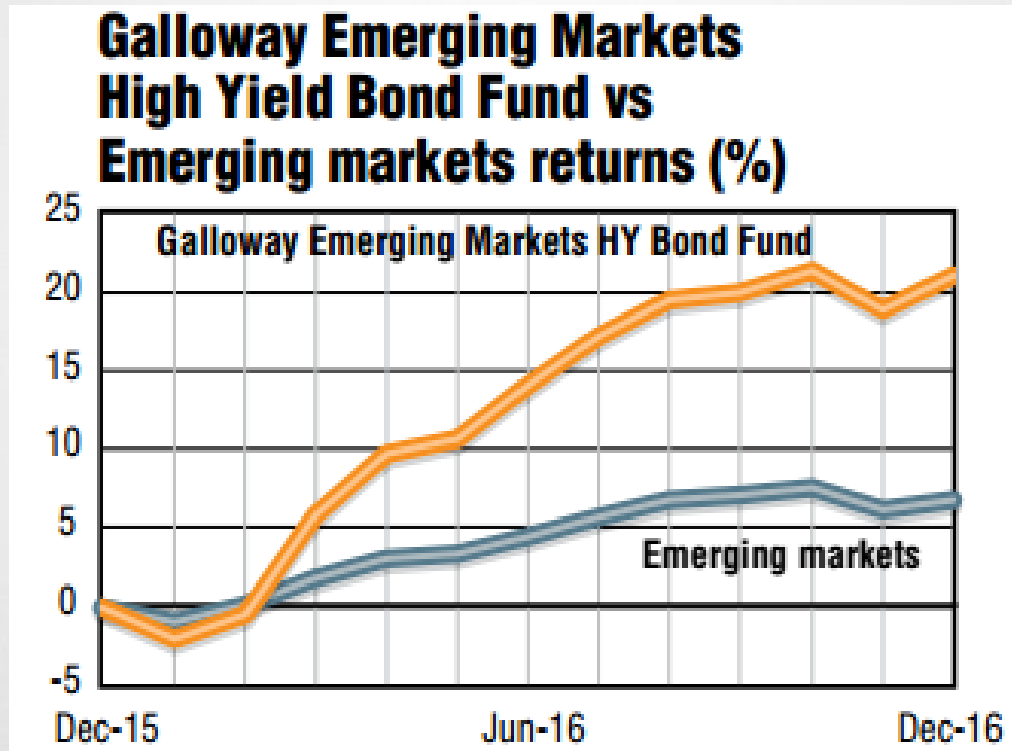


Source: Citywire Discovery & Citywire Investment Research / Time period: 1 year to 31/12/2016





Creditflux Feb17: "Galloway EM HY Bond Fund: Top Performers in 2016"



Morningstar Feb17: "Galloway EM HY Bond Fund: #02/1.008"



Bloomberg Sept16: "Top Bond Manager in Emerging Markets Still Bullish on Brazil"

"Nathan Shor, who manages the world's best emerging-market bond fund, is betting the rally in Brazilian debt is far from over. His Galloway Emerging Markets High Yield Bond Fund has returned 19 percent this year, the most among 148 funds with similar mandates. Brazil accounts for 29 percent of the fund's assets, a threefold increase from a year earlier and greater than its 4.4 percent weighting in the Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index.

Shor says state-controlled companies like Petrobras and Banco do Brasil SA will continue to deliver big gains, even as the likes of BlackRock Inc. contend it may be time to pare holdings amid concern President Michel Temer will struggle to revive Brazil's economy. On Sept. 5, Sergio Trigo Paz, the head of emerging-market debt at BlackRock, said he may reduce his overweight position because the rally is "overplayed."

"We still see great value in Brazil," said Shor, who helps oversee \$300 million of emerging-market assets. "Brazil's state-owned companies are still paying a high spread over the rest of emerging markets." The 45-year-old native of Peru founded Galloway in 2003 in Sao Paulo. Six years later, he co-created the bonds fund with partner Ulisses de Oliveira. It has returned 64 percent since its inception in 2009, according to Galloway.

While Shor remains bullish on Brazil, he said investors need to be more discriminating. Galloway's fund has been a big beneficiary of the surge in the state oil producer's \$3 billion of bonds due in 2026, which have soared 15 percent since they were issued in May. Brazilian corporate bonds have returned 23 percent this year, almost twice as much as the average for emerging markets, according to data compiled by Bloomberg.

"We made money on the back of the deleveraging of Petrobras and expect to continue doing so by being even more selective from now on," he said. "As Brazil still has a long way to go, investors have to carefully monitor political support for the much-needed economic reforms."

THE PRINCIPALS' BIO



Nathan Shor - founder, Director, Portfolio Manager

Nathan co-founded Galloway in 2005. In 2003 he worked in Convenção (a Brazilian Broker Dealer) was responsible for EM Debt - International Fixed Income; developed the international trading desk. From 2000 to 2003 worked as an entrepreneur in Internet projects. From 1998 until 2000 worked at The Nash Fund as a partner and PM being responsible for its US equities, Forex and Fixed Income allocations. Nathan holds a BSBA from Boston University (Boston, USA) and a Master's degree in Finance from IESA (Instituto Estudios Superiores de Administracion, Caracas, Venezuela)."



Ulisses de Oliveira - Director, Senior Portfolio Manager

Ulisses joined Galloway in 2009 to manage Galloway Global EM HY Bond Fund. Between 2006 - 2009, Ulisses worked in FI Sales at Morgan Stanley London and at Planner – a brokerage firm in Brazil. From 2000 until 2006, Ulisses worked for Citigroup NY as a senior investment officer in charge for research and origination of investment ideas in Emerging Markets Fixed Income. From 1998 – 2000, he worked for Safra Bank of NY as Assistant Treasurer. Ulisses started his career in 1996 at ED & F Man (a leading commodity house). He worked there until 1998. Ulisses holds a Bachelor of Science in Finance and International Business of NEW YORK UNIVERSITY.

TEAM MEMBERS' BIO



Joao Ferrari - Risk Officer and Operations

Joao joined Galloway in 2006 as Risk Manager. Prior to that, he worked from 2004 until 2006 for Daycoval Asset Management, where he co-managed its Fixed Income and Variable Income Funds. Prior to Daycoval, Joao worked for Saint George Bank as a private banker from 2003 until 2004. Joao started his career in finance as a credit analyst at HSBC in 2001 and worked there until 2002.

Joao holds a Bachelor degree in Business Administration from Fundação Getúlio Vargas university in São Paulo and a Master's degree in economics from Pontifícia Universidade Católica of São Paulo.

Marilia De Paris / Research

Marilia joined Galloway in 2015, she is part of the Research Team for credit analysis. Prior to Galloway, Marilia had an internship in 2013 at Hamburg Sud on the controlling area, reporting sales performance from Europe and automatizing worksheets; 2014 internship at Itau BBA on the financial institutions credit area, developing a sector analysis on pension funds and superior education and 2015 internship at Ambev (treasury) valuating companies owned by Ambev.

TEAM MEMBERS' BIO



Arie Milner – Administrative / Compliance

Arie joined Galloway in 2010 and was in charge for Compliance & IT infrastructure, also covers Business Development / Investor Relations and Marketing of Galloway. From 2002 to 2010, Arie worked for Heliotek, High Security and Connec as a commercial consultant across several sectors as energy systems, security and IT solutions (hardware and software). From 1991 to 2001, Arie worked for Otil as a partner and project manager in the construction industry. Arie holds a Civil Engineering degree from Escola de Engenharia Mauá University in São Paulo.

CONTACT & LEGAL INFORMATION



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