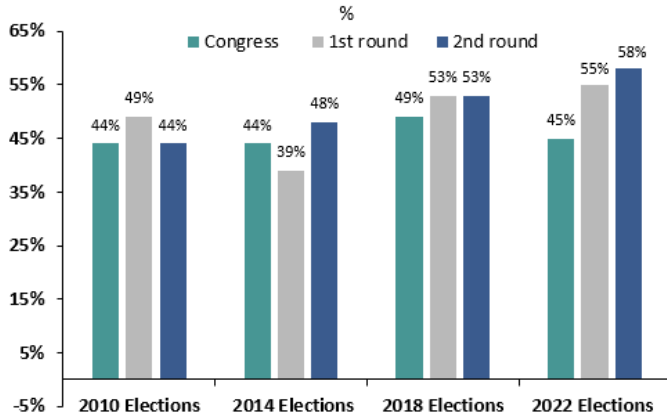


On Sunday, June 19, 2022, the highly uncertain presidential elections were held in Colombia, following the previous weeks' polls which had anticipated a technical tie between the leftist candidate Gustavo Petro (from the "Historic Pact for Colombia") and the independent Rodolfo Hernández, who had been losing momentum. Ultimately, Petro won with a 50.4% majority and became the first official leftist government in the country's history, which will take office in August 2022.

Voter Turnout

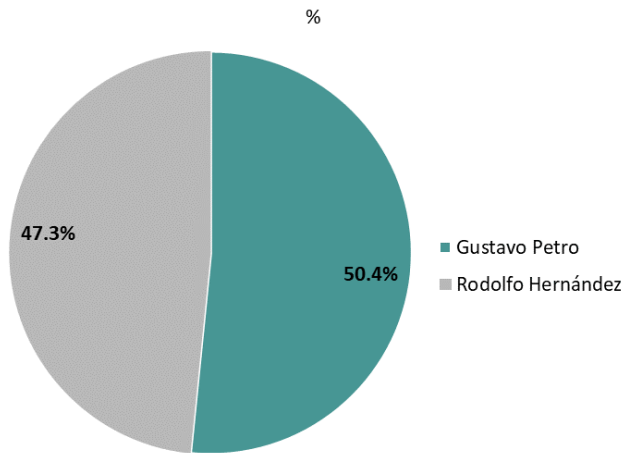


Source: National Registry of Civil Status

This year's elections registered a 58% voter turnout, the highest since 1998, depicting how Colombians appealed to the socioeconomic changes offered by Petro. His main goals included a tax reform to collect 5.5% of the GDP (to finance his program and reduce the country's fiscal deficit), a pension reform (giving more prominence to the state), declaring a state of emergency due to famine, and to thwart new oil exploration licenses for environmental reasons, even though 1% of GDP tax revenue is from the oil industry.

Currently, there is significant fragmentation in both houses of Congress, which forces the new government to moderate its more radical proposals. It is estimated that Petro would have 34% of the Senate and 43% of the House of Representatives. Nonetheless, he does not necessarily require Congressional approval for all his proposed changes. For example, in the case of oil exploration licenses, Petro only needs the support of the ministers he will appoint to the Board of the National Hydrocarbon Agency. In response, oil corporations have already accepted this scenario and accumulated enough oil reserves for the next four years without requiring new explorations.

Presidential Runoff Results



Source: National Registry of Civil Status

Although the market had priced in a Petro victory in the first round, this reversed after Rodolfo Hernandez advanced to the runoff. In this context, a negative outlook is expected for Colombian risk assets at least until Petro fully announces his cabinet members next week. Regarding the potential candidates he has mentioned, some are more moderate and would provide greater confidence to the market. A few examples are José Antonio Ocampo (former Minister of Finance and Agriculture and former Co-Director of the Bank of the Republic) and Rudolf Hommes (former Minister of Finance in the government of César Gaviria), who are being considered for the Ministry of Finance. The cabinet selection will be fundamental to clarifying the government's path; if it complies with moderation, market uncertainty should dissipate.

Colombia: Historic Victory for the Left Wing

LatAm Investment Strategy



COMPASS GROUP

Regarding financial markets, higher volatility is expected in the oil and gas sector bonds; nevertheless, interest rates had already considered this scenario through higher country risk, so we expect a more limited effect on these types of assets. On the other hand, we anticipate equity markets and exchange rates to decline significantly due to Petro's victory, especially the country's currency, due to its greater liquidity and volatility.

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