

Santander AM Latin American Equity Opportunities

4 / 2026

Fund commentary

April remained dominated by the Middle East conflict and its second-order implications for inflation risk and global risk appetite. Even with oil declining over the month (Brent -3.7% MTD), energy prices remain elevated in level terms, keeping a meaningful geopolitical risk premium embedded across assets and maintaining a more cautious macro framing.

From a market perspective, the month was decisively constructive for risk assets. Emerging markets outperformed materially, driven primarily by Asia, consistent with strong "AI picks-and-shovels" exposure.

Still, the base case remains broadly unchanged: the U.S. economy continues to show decent growth while inflation trends toward central banks' targets, and the AI investment cycle remains a powerful global theme—capital-intensive today, but with credible productivity and disinflationary potential over time. That said, April reinforces the message from last month that the distribution of outcomes has shifted. The Middle East conflict continues to raise the probability of a harder landing and higher inflation than previously expected, primarily through the energy channel and confidence effects. Even with oil easing during the month, prices remain elevated in level terms, and the key swing factor remains duration—if the conflict persists and the risk of disruption around Hormuz stays in play, risk-off odds would continue to rise.

Within Latin America, performance was constructive and consistent with the broader EM bid. MSCI LatAm (USD) rose $+2.8\%$ MTD, while MSCI Brazil (USD) gained $+3.9\%$, MSCI Mexico (USD) $+2.2\%$, and MSCI Chile (USD) $+5.4\%$ —meaning the region's three largest markets were all higher on the month. In contrast, MSCI Peru (USD) fell -1.7% and MSCI Colombia (USD) -1.6% , reflecting more idiosyncratic local dynamics despite the supportive external tape.

On a year-to-date basis, leadership remains intact: MSCI Brazil (USD) is up $+21.4\%$ YTD, while MSCI LatAm (USD) is up $+15.9\%$ YTD. In our view, April reinforced LatAm's profile as a high-sensitivity destination for incremental EM allocation in periods of improving risk appetite—particularly when the USD weakens and global investors re-engage with EM beta.

Brazil advanced $+3.9\%$ MTD (USD), extending its leadership ($+21.4\%$ YTD) as the market continued to benefit from a constructive EM tape. Within Brazil, we remained focused on upgrading portfolio asymmetry and recycling capital toward names where we see a better balance of downside protection and medium-term upside. In this context, we

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increased exposure to Motiva Infraestrutura (MOTV3) and XP (XP), while trimming Cyrela (CYRE3) and continuing to exit Localiza (RENT3) as part of our capital allocation discipline.

Mexico rose +2.2% MTD (USD), supported by the broader EM outperformance. Macro-wise, the market is increasingly focused on Banxico's next steps, with consensus leaning toward a final 25bps cut to 6.5% and messaging consistent with the end of the easing cycle. At that level, policy would sit broadly around the mid-point of Banxico's neutral corridor in real ex-ante terms, pointing to an "on hold for longer" phase given two-sided risks—sticky inflation dynamics versus softer growth. Looking forward, the Fed-Banxico differential and overall monetary conditions remain key constraints, limiting how aggressively Mexico can compress spreads without risking FX and external financing pressure.

From a portfolio standpoint, the majority of our staples exposure within LatAm remains focused on the profitable, predictable, and moat-rich Mexican staples, where we see long-duration compounding characteristics.

In Chile, equities were strong (MSCI Chile +5.4% MTD, USD), but the fundamental setup is becoming more nuanced. Earnings momentum is expected to decelerate sharply versus the very strong 4Q25 base, and full-year 2026 expectations have been revised down, reinforcing a more selective stance. The Central Bank of Chile held the policy rate at 4.5% for a third consecutive meeting, citing higher near-term inflation projections and external uncertainty. Given valuation sensitivity in parts of the market, we continued to close our Falabella position (FALAB) as risk-reward became less compelling.

In Peru, the market was softer (MSCI Peru -1.7% MTD, USD). Beyond the macro cycle, the government extended the state of emergency in Lima and Callao for 60 days, which adds near-term noise from a sentiment perspective. In Colombia, returns were also slightly negative (MSCI Colombia -1.6% MTD, USD), with the market remaining more exposed to volatility around domestic catalysts.

Portfolio Activity – April

- Brazil: We increased Motiva Infraestrutura (MOTV3), a relevant portfolio position where we see an attractive long-duration profile and a conservative ~10.5% IRR, supported by resilient and more predictable fundamentals. We also added to XP (XP), where we continue to see favorable asymmetry into 2026: limited downside versus meaningful upside in a more constructive market environment, with the company well positioned to benefit from improved capital markets activity. On the funding side, we reduced Cyrela (CYRE3) to recalibrate our overweight relative to the risk-return profile, and we continued to exit Localiza (RENT3) after the stock approached our price target area, monetizing the thesis.
- Mexico: We took profits in Cemex (CX) after a very strong rally, reducing exposure following the sharp move.

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- Peru: We reduced Credicorp (BAP) despite solid fundamentals, as we see comparable quality opportunities in the region with more attractive valuation and asymmetry.
- Chile: We continued to close Falabella (FALAB), as we believe current valuation no longer justifies holding the position in the portfolio.
- Argentina: We added BBVA Argentina (BBAR), where we see attractive valuation and an improving credit cycle setup, with NPL dynamics likely approaching a peak and macro disinflation as an important support.

We remain constructive on the opportunity set into 2026. While geopolitical and policy headlines can drive short-term volatility, the broader global setup—moderating mid to long term inflation expectations and a continued “capex + productivity” impulse from the AI cycle—still supports risk assets and reinforces the case for diversification beyond the U.S. In Latin America, the combination of discounted valuations and a lower-rate trajectory remains supportive of both global flows and a gradual re-engagement of local capital into equities.

From a valuation standpoint, Latin America continues to stand out as one of the cheapest equity regions globally, trading at a meaningful discount versus DM and versus broader EM. Importantly, the region also screens below its own 10-year average valuation, while several other regions look closer to fair value or above historical norms. In our view, this valuation asymmetry reinforces LatAm's attractiveness once markets normalize from the current geopolitical shock.

We will continue to focus on a best-ideas portfolio, prioritizing asymmetry—protecting downside while preserving meaningful upside—remaining patient where the market has compressed prospective returns, and decisive when dislocations allow us to upgrade quality and long-term value creation.

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