Santander Asset Management

Marketing Communication

Santander AM Latin American Equity Opportunities

9 / 2026

Fund commentary

Global markets remained focused on the combination of resilient economic growth, rising energy prices, and higher interest rates. During September, the Federal Reserve resumed its tightening cycle, while long-term Treasury yields reached their highest levels in nearly two decades. At the same time, renewed geopolitical tensions in the Middle East pushed Brent oil back above US$100/bbl and contributed to a broad repricing of inflation expectations globally. Despite these headwinds, economic activity in the U.S. and other developed markets remains supported by strong consumer demand, robust labor markets, and continued investment associated with the AI infrastructure cycle. The result is a market environment characterized by higher rates, stronger commodity prices, and increasing differentiation between companies able to grow earnings and those dependent on easier financial conditions.

In Latin America, investors remained focused on the approaching Brazilian presidential election, the outlook for monetary policy, and the implications of higher U.S. interest rates. While uncertainty has increased, particularly around Brazilian politics, we believe recent market weakness has created attractive opportunities across several high-quality businesses. As a result, during September we increased our Brazil exposure by adding Sabesp, BTG Pactual, WEG, and Petrobras. We believe the sharp selloff experienced over the last two months has created compelling entry points into companies with strong competitive advantages, attractive valuations, and resilient cash-flow generation. Brazil continues to trade at a substantial discount to both its own history and other emerging markets despite a macro backdrop that remains significantly more stable than valuation levels would imply. Recent additions increase our exposure to infrastructure, financials, industrial champions, and energy companies that we believe are well positioned to benefit from an eventual normalization of investor sentiment toward the country.

Outside Brazil, we increased our exposure to Peru through the addition of Credicorp, reflecting our constructive view on one of the strongest banking franchises in Latin America and Peru's supportive macroeconomic backdrop. Peru continues to benefit from solid economic fundamentals, favorable commodity dynamics, and increasing investment activity tied to mining and infrastructure.

Within Materials, we rotated capital from Cemex into SQM and selected copper-related assets as we continue to favor long-term opportunities linked to electrification, energy security, and AI-driven infrastructure investment. Copper fundamentals remain particularly attractive, supported by constrained supply and growing structural demand from power grids, renewable energy, electric vehicles, and data center expansion.

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Within Energy, we continued to reposition the portfolio by gradually rotating away from Vista Energy and PRIO into Petrobras. While we remain constructive on both Vista and PRIO over the long term, Petrobras currently offers what we view as a more compelling combination of valuation, free-cash-flow generation, dividend capacity, and direct leverage to the stronger oil-price environment. The recent strengthening in oil prices further reinforces the investment case for larger integrated energy producers with substantial cash-return potential.

More broadly, our portfolio remains centered on companies exposed to long-term themes such as energy security, electrification, infrastructure investment, and AI-related capital spending, while maintaining a strong preference for businesses that consistently generate excess cash and return capital to shareholders through dividends and buybacks. We believe shareholder yield remains an increasingly important component of total returns in a world of structurally higher interest rates and more modest valuation expansion.

Looking ahead, our thesis remains largely unchanged. Higher rates and geopolitical uncertainty may continue to drive volatility in the near term, but we believe the long-term opportunity set across Latin America remains compelling. Valuations remain attractive, particularly in Brazil, while structural themes such as energy security, electrification, infrastructure investment, and AI-related capital spending continue to support many of the businesses we own. We remain focused on allocating capital to high-quality companies with strong balance sheets, durable competitive positions, disciplined capital allocation, and the ability to compound value across a variety of macroeconomic environments.

We will continue to focus on a best-ideas portfolio, prioritizing asymmetry, protecting capital where prospective returns have compressed, and remaining prepared to upgrade quality whenever volatility creates opportunities to enhance long-term value creation.

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