Santander Asset Management

Marketing Communication

Santander AM Latin American Equity Opportunities

2 / 2026

Fund commentary

In February, markets continued to price a broadening of risk appetite beyond the U.S. MSCI ACWI rose +1.28% MTD, while the S&P 500 fell −0.87%, implying clear non-U.S. outperformance. EM also outperformed meaningfully, with MSCI EM up +5.35% MTD, beating ACWI by roughly +4.1pp. Cross-asset signals were supportive for EM/real assets: the USD (DXY) strengthened +0.63% MTD, but gold rallied +7.57% and Brent rose +2.50%, while U.S. 10-year Treasuries were up +0.30% (yields modestly lower). On a 12-month basis, the broader rotation remains intact, with ACWI +21.66% vs EM +40.52%, gold +61.37%, and a weaker USD trend (DXY −9.76%) providing a constructive backdrop for EM and commodities.

Still, the broader macro regime remains consistent with January: the U.S. economy continues to show decent growth while inflation trends closer to 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. In this soft-landing setup, incremental diversification flows into EM and commodities remain supportive, and even small shifts in global allocations can translate into meaningful demand for Latin American assets given the region's smaller market footprint and commodity leverage.

Latin America reflected the continued "ex-U.S." rotation, with MSCI LatAm (USD) up +3.64% MTD, outperforming MSCI ACWI (+1.28%) and supported by a constructive EM tone (MSCI EM +5.35%).

MSCI Brazil (USD) advanced +3.97% MTD, continuing to benefit from the broader EM bid and a still-supportive local setup. Looking ahead, we believe the Brazil Central Bank (BCB) is likely to start cutting rates in March from very high levels, which should be supportive for domestic cyclicals and rate-sensitive segments. Within this environment, our Brazil exposure remains anchored in companies where we see resilient balance sheets, cash-flow visibility, and attractive medium-term asymmetry, with core positions including Bradesco, Copel, and Cyrela.

MSCI Mexico (USD) gained +6.85% MTD, supported by the broader EM outperformance and improving visibility for a more constructive 2026 domestic demand backdrop. Our Mexico allocation remains centered on high-quality consumer exposure, led by FEMSA, which continues to be one of our core positions in the country. More broadly, the majority of our staples exposure within LatAm is focused on the profitable, predictable, and moat-rich Mexican staples, where we see superior visibility and long-duration compounding characteristics.

Within the Andean complex, February performance was mixed: MSCI Peru (USD) was a clear standout (+8.03% MTD), while MSCI Chile (USD) (−6.40%) and MSCI Colombia (USD) (−9.43%) lagged, the latter also seeing higher volatility as markets look ahead to upcoming elections. From a positioning standpoint, we remain underweight Chile and Colombia, where we see less attractive risk-return after the recent moves and a higher sensitivity to near-term idiosyncratic catalysts.

In contrast, we are overweight Peru, where we continue to see a cleaner macro/rates setup and a more attractive fundamental opportunity set. Credicorp is our largest position in the country, reflecting our preference for best-in-class financial franchises in LatAm: strong profitability and capital generation, disciplined risk management, and a diversified earnings base that should benefit from a gradually more supportive activity backdrop and improving financial conditions as the easing cycle progresses.

- Brazil: Continued the rotation from Energisa into Equatorial to increase exposure to best-in-class capital allocation and attractive internal returns. We also added Smart Fit and Suzano, increasing exposure to businesses where we see attractive medium-term fundamentals and improved risk-return. In addition, we increased our Axia position, reflecting a more constructive view on energy prices and the positive sensitivity of the generation business to stronger power pricing.

- Mexico: We continued to add to FEMSA, reinforcing our preference for high-quality consumer exposure. We also added to our existing Cemex exposure, reducing our underweight in Materials as the risk-return became more attractive.

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

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.