

Santander Latin American Corporate Bond

4 / 2026

Fund commentary

The asset class delivered positive returns in April, despite a modest increase in U.S. Treasury yields. The 10-year U.S. Treasury rose from 4.32% to 4.37%, while the 30-year increased from 4.91% to 4.97%, maintaining a slightly less supportive duration backdrop. However, Latin American corporate spreads tightened significantly by around 42 basis points on average at the index level, more than offsetting the impact of higher rates. Overall, the combination of strong spread compression and carry supported positive performance during the month.

April data confirmed that the U.S. economy is transitioning toward a more moderate and sustainable growth phase, with activity stabilizing around the 1.5%–2% range. While headline indicators such as PMIs and retail sales surprised to the upside, underlying momentum appears less robust once volatile components are stripped out. Business activity remains relatively resilient, supported by solid corporate profitability and continued investment—particularly in AI-related sectors—although broader investment dynamics remain uneven. In contrast, consumption growth has softened, with goods demand weakening and overall spending trending closer to 1%–1.5%, consistent with earlier declines in consumer confidence and a low household saving rate.

Labor market conditions continue to signal stability rather than acceleration, with payroll growth supported by non-cyclical sectors while more sensitive areas remain subdued.

The dominant theme in April was the increasing influence of geopolitical developments and energy prices on macro and market dynamics. Oil price volatility—closely linked to developments around the Strait of Hormuz—has become a key driver of inflation expectations, rate pricing, and long-term yields. Despite the rise in headline inflation driven by energy, core inflation remains broadly contained, allowing the Federal Reserve to maintain a wait-and-see stance. Markets continue to price a prolonged pause, with policy expectations now more sensitive to movements in oil prices than to incremental changes in macro data. For fixed income investors, this environment implies that rates will remain driven as much by geopolitical developments as by fundamentals, reinforcing the likelihood of episodic volatility.

During April, the fund delivered a positive absolute return and performed broadly in line with its benchmark. Positive relative contributions came from the Electric, Banks, and REITs sectors. These gains were partially offset by weaker relative performance in Chemicals, Oil & Gas, and Telecommunications.

The top contributors were SAAVIE 35s, ALFACL 51s, and SAMMIN 31s, while the bottom contributors were RAIZBZ 32s, RAIZBZ 37s, and JBS 34s.

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April saw a pickup in Latin American corporate issuance compared to the prior month, with a broad range of issuers accessing the market across sectors and geographies. Notable transactions included Banco Nacional de México (\$1.30bn), Generadora de Gatún (\$1.05bn), and Grupo Nutresa (\$1.25bn), alongside deals from Edenor, Rede D'Or, Banco do Brasil, and Cencosud, among others. Issuance was well distributed across financials, utilities, infrastructure, and corporates, highlighting continued market access for both investment-grade and higher-yielding names. Despite the increase in supply, transactions were generally well absorbed, reflecting resilient investor demand and supportive technical conditions.

As the year progresses, the macro backdrop is increasingly shaped by the interaction between moderating U.S. growth, stable but energy-sensitive inflation, and a Federal Reserve that remains firmly on hold. At the same time, geopolitical developments—particularly those driving energy markets—have become a central force influencing inflation expectations, rate dynamics, and overall risk sentiment. This environment points to a more volatile and less predictable path for markets, where shifts in oil prices and geopolitical headlines can quickly alter the outlook for both growth and policy.

Against this backdrop, we remain constructive on Latin American fixed income. While spreads have tightened over the past year, absolute yield levels continue to offer attractive carry, providing an important cushion against both spread volatility and higher U.S. Treasury yields. This carry profile remains a key driver of returns, even in periods of market stress. However, tighter valuations and a more uncertain macro environment require a heightened focus on credit fundamentals, reinforcing the importance of disciplined security selection and active risk management. Overall, we maintain a positive view on the asset class, supported by solid technicals and resilient underlying fundamentals.

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