

Santander Latin American Investment Grade

11 / 2025

Fund commentary

The asset class posted moderately positive returns in November, supported primarily by a mild decline in U.S. Treasury yields. The 10-year U.S. Treasury fell from 4.08% to 4.01%, while the 30-year held broadly stable, inching from 4.65% to 4.66%, resulting in a neutral-to-slightly supportive duration backdrop. Latin American corporate spreads widened by roughly 14 basis points over the month, reflecting softer global risk sentiment and partially offsetting the benefit from rates. Even so, carry remained a strong anchor for performance, allowing the asset class to close the month with modest gains.

Monetary policy expectations shifted significantly throughout the month. An unexpected spike in money-market rates early on prompted the Federal Reserve to end quantitative tightening, while the persistent pattern of sub-trend job growth and softer consumption indicators later contributed to markets assigning a high probability of a December rate cut.

During November, the fund posted another month of positive performance, but it slightly underperformed its benchmark. Strong contributions came from the Oil & Gas, Banks, and Holding sectors. However, these gains did not offset weaker results in other areas such as Pulp & Paper, Electric, and Media.

The top contributors were RAIZBZ 54s, ALFAA 44s, and AMXLMM 40s, while the bottom contributors were CELARA 50s, FUNOTR 30s, and TNEMAK 31s.

November saw a significant pickup in Latin American corporate new issuance, with a broad range of sectors accessing the market. Notable deals included Eldorado (\$500 million), Compañía General de Combustibles (\$300 million), Genneia (\$400 million), Fibra Prologis (\$500 million), Vale (\$750 million), Transportadora de Gas del Sur (\$500 million), Pluspetrol (\$500 million), Pampa (\$450 million), Sierra (\$650 million), Quiport (\$300 million), Auna (\$365 million), and Mobiliare LatAm (\$500 million). Despite the heavier supply, demand remained robust, with transactions generally well absorbed and supported by sustained investor appetite for high-quality carry and diversified credit exposure across the region.

The macroeconomic environment continues to warrant close monitoring, as the recent softening in U.S. labor-market data, weaker forward-looking consumption indicators, and rising expectations of a near-term Fed rate cut have produced a more constructive backdrop for emerging markets. The moderation in U.S. yields—combined with easing inflation across major economies and fading volatility in global activity data—has strengthened the case for carry-

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oriented strategies, directly benefiting LatAm fixed income. Despite ongoing uncertainties around global growth and China's weaker momentum, the asset class has demonstrated resilience, supported by healthier external balances, credible monetary frameworks, and a favorable demand backdrop. Technical conditions remain robust, with persistent investor appetite keeping spreads near cycle lows, while absolute yields continue to offer attractive carry and competitive total return potential. As year-end approaches, LatAm fixed income remains on track to deliver strong performance, with the combination of improving global rates dynamics, supportive regional fundamentals, and disciplined policy frameworks positioning the asset class well for early 2026.

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