Santander Asset Management

Santander Latin American Investment Grade

Marketing Communication

9 / 2026

Fund commentary

The asset class delivered negative returns in September, pressured by a sharp increase in U.S. Treasury yields and a widening in Latin American corporate spreads. The 10-year U.S. Treasury rose from 4.75% to 5.28%, while the 30-year increased from 5.24% to 5.63%, creating a significantly more challenging duration backdrop. Meanwhile, Latin American corporate spreads widened by approximately 20bps at the index level, adding further pressure to performance. As a result, the combined impact of higher U.S. rates and wider spreads more than offset the support from carry, leading the asset class to close the month with a significant negative return.

September data reinforced the view that the U.S. economy remains highly resilient, with hard data pointing to very strong third-quarter growth. Inflation and monetary policy were the main focus for markets during the month. Following stronger inflation data and hawkish Fed communication, markets significantly increased expectations for further tightening, pricing more than two hikes by year-end and around four by mid-2027, including September's move. While policy may look broadly neutral against core CPI, it still appears more accommodative relative to core PCE, leaving the path for rates highly dependent on the evolution of both underlying inflation measures over the coming months.

During September, the fund delivered a negative absolute return and underperformed its benchmark. Positive relative contributions came from the Food, Iron/Steel, and Beverages. These gains were more than offset by weaker relative performance in Mining, Electric, and Gas.

The top contributors were VALIAE 39s, SAAVIE 35s, and ESENMX 38s, while the main detractors were ISACB 33s, INTERC 56s, and CELARA 50s.

September saw a more active month for Latin American issuance, with activity concentrated across financials, energy, infrastructure, and sovereign/quasi-sovereign issuers. Notable transactions included the Dominican Republic International Bond ($1.6bn), YPF ($1.2bn), BBVA México ($1.0bn), Central American Bottling Corporation ($875mm), COX Asset México ($800mm), and Provincia de San Juan ($600mm). Despite a more challenging market backdrop, transactions were generally completed successfully, reflecting continued access to international capital markets across a range of regional issuers.

As we move further into the second half of the year, the macro backdrop remains defined by resilient underlying U.S. activity, persistent uncertainty around inflation, and a Federal Reserve that continues to emphasize data dependence. While growth remains supported by domestic demand and a broadening recovery in business investment, recent market developments have highlighted the sensitivity of rates to incoming data, fiscal concerns, and policy expectations. September was particularly challenging in this regard, with a sharp move higher in U.S. Treasury yields and renewed volatility across the curve. At the same time, geopolitical tensions

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remain an important source of uncertainty, particularly through their potential impact on energy prices, supply chains, and investor risk appetite. As a result, the market environment remains fluid, and there is still limited visibility on the ultimate extent and duration of the recent sell-off.

Against this backdrop, we remain constructive on Latin American fixed income, while recognizing that the near-term environment has become more challenging. The recent widening in spreads suggests some early signs of normalization after a prolonged period of spread compression, but it remains unclear whether this adjustment has fully run its course. Absolute yield levels are now more attractive and continue to provide meaningful carry, which should support total return potential over time and offer a cushion against periods of volatility. Nevertheless, the combination of higher U.S. Treasury yields, wider spreads, and ongoing geopolitical uncertainty reinforces the importance of disciplined credit selection and active risk management. Overall, we continue to view the asset class favorably, supported by resilient corporate fundamentals and healthy balance sheets, while maintaining a selective approach focused on issuers with strong liquidity, prudent financial policies, and the ability to navigate a more volatile global backdrop.

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