Santander Asset Management

Marketing Communication

# Santander AM Latin American Equity Opportunities

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## Fund commentary

2025 was a constructive year for risk assets. Global equities delivered solid returns, with Emerging Markets outperforming Developed Markets. MSCI EM ended the year up +29.6%, ahead of MSCI World (+18.4%) and the S&P 500 (+15.9%), while Nasdaq and Euro Stoxx both returned +19.3%.

The macro backdrop was supportive, marked by moderating inflation, declining real yields and a gradual shift toward easier monetary conditions, driving a broad equity re-rating, particularly in cyclical and higher-beta markets.

Within EM, Latin America stood out as one of the best-performing regions globally. The MSCI LatAm Index rose +38.1% (USD), outperforming MSCI EM (+29.6%) and Developed Markets. Performance was broad-based, led by the Andean markets — Peru +63.3%, Chile +50.7%, Mexico +43.2% — while Brazil also delivered a strong +40.4%, supported by expectations of lower real rates, foreign inflows and solid performance in utilities, financials and domestic cyclicals. The weaker dollar and supportive cross-asset backdrop further reinforced the region's relative appeal.

Brazil was a key performance engine for the Fund in 2025. With MSCI Brazil up +40.4% YTD, the market offered both high beta and abundant stock-specific alpha. Our core overweights in utilities, financials and rate-sensitive domestic cyclicals were central contributors. In utilities, Copel, Energisa and Sabesp led performance. Copel stood out as the market continued to re-rate the company following its 2023 privatization, supported by cost efficiencies, balance sheet strengthening and a more predictable dividend policy. Energisa delivered steady execution and defensive cash flows, while Sabesp benefited from regulatory reform and long-term investment visibility tied to São Paulo's sanitation plan. In financials, Bradesco became a key driver as we increased exposure, reflecting attractive asymmetry between a depressed starting ROE and the potential for gradual normalization as credit costs improved. Large-cap banks also added liquidity and resilience to the portfolio. Among domestic cyclicals, Cyrela and Multiplan were the main contributors, benefiting from strong execution, improving demand conditions and disciplined capital allocation. Overall, the Brazilian sleeve combined quality franchises, rate sensitivity and visible cash generation, and was a central driver of Fund performance in 2025.

Mexico was another important source of alpha. MSCI Mexico rose +43.2% YTD, with meaningful stock-level dispersion favoring our bottom-up approach. The portfolio focused on a small number of high-conviction names across airports and financials. GAP was the largest contributor, supported by solid traffic growth, tariff adjustments, operating leverage and a strong, recurring dividend profile.

In financials, Gentera delivered robust loan growth and improving profitability as Banxico advanced its easing cycle, while Banorte provided diversified exposure to the Mexican banking system with strong capital and funding profiles. Over the year, we rotated from Grupo México into Southern Copper, preferring cleaner copper exposure with stronger balance sheet characteristics.

The Andean region — particularly Peru (+63.3%) and Chile (+50.7%) — was one of the Fund's strongest performance drivers. In Peru, exposure was concentrated in Credicorp, which combined strong capital ratios, diversified earnings and resilient profitability amid an improving macro backdrop. Earlier exposure to IFS was progressively consolidated into Credicorp to maximize conviction and valuation asymmetry. In Chile, key contributors included BCI, Falabella and Parque Arauco, providing exposure to high-quality banking, regional consumption and premium shopping center assets benefiting from traffic normalization and solid tenant dynamics.

In Argentina, the core theme was Vaca Muerta, expressed through TGS and Vista Energy. TGS offered defensive, largely USD-linked cash flows with upside from midstream investments, while Vista provided higher operational leverage to shale development, supported by scalable assets and solid execution.

We will continue investing with high conviction in fundamentally strong companies, keeping a disciplined risk management framework, exercising both diligence and patience in building and holding positions, and being decisive while capturing opportunities as market dislocations arise. Our focus remains on long-term value creation, not on chasing short-term moves, and we believe this mindset reflects our Fund's positioning as we enter 2026.