Santander Asset Management

Marketing Communication

Santander Latin American Investment Grade

10 / 2026

Fund commentary

The asset class delivered positive returns in October, supported by a significant decline in U.S. Treasury yields, despite a widening in Latin American corporate spreads. The 10-year U.S. Treasury declined from 5.28% to 4.93%, while the 30-year fell from 5.63% to 5.31%, providing a more supportive duration backdrop. Meanwhile, Latin American corporate spreads widened by approximately 34bps at the index level, partially offsetting the positive impact from lower U.S. rates. Overall, the decline in Treasury yields more than compensated for wider spreads, allowing the asset class to close the month with a positive return.

Incoming data suggest that U.S. growth may have accelerated in 3Q26, with the advance GDP estimate pointing to 3.4% annualized growth, up from 2.2% in 2Q. Real final sales to private domestic purchasers were estimated to have grown 4.9%, led by equipment investment, likely driven again by AI-related spending. Regional manufacturing surveys remained well above their averages, with the Empire State index rising from 7.6 to 25.5 and the Philadelphia Fed index easing from 37.8 to 20.9. Consumer sentiment remains the main soft spot, with the University of Michigan expectations index at 47.3.

Inflation remained the main concern for the Fed. September core CPI rose 0.33% month on month, above the roughly 0.2% pace consistent with the target, lifting the three-month annualized rate from 2.0% to 3.4%. At its October meeting, the Fed kept the target range at 3.75%–4.0% in a 10–2 vote, with two members dissenting in favor of a 25bp hike, and its statement described economic activity as "strong". Markets continued to price a hike in December and around four hikes by June 2027, including September's, implying a peak policy rate of 4.5%–4.75%.

During October, the fund delivered a positive absolute return but underperformed its benchmark. Positive relative contributions came from the Mining, Gas, and Pipelines sectors, while Food, Iron & Steel, and Retail detracted from relative performance. The top contributors were AMXLMM 40s, ESENMX 38s, and GEBCB 35s, while the main detractors were ILCCI 32s, VESTA 31s, and CENSUD 45s.

October saw an active month for Latin American issuance, with transactions concentrated across financials, infrastructure, and corporate issuers. Notable transactions included Banco Nacional de México ($900mm), Geopark ($550mm), BAC International Bank ($500mm), Banco de Crédito del Perú ($500mm), and Aeropuertos Argentina 2000

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($400mm). Overall, issuance remained well supported across the region, reflecting continued access to international capital markets.

As we head into the final stretch of the year, the macro backdrop remains defined by resilient U.S. activity, inflation that is still above target, and a Federal Reserve that continues to rely on incoming data to guide policy. Domestic demand and business investment continue to support growth. At the same time, rates remain sensitive to inflation prints, policy expectations and the outlook for the Fed's tightening path. Geopolitical tensions also remain a source of uncertainty, particularly through their potential effect on energy prices, supply chains and investor risk appetite. The environment is therefore likely to stay fluid, with limited visibility on the path of U.S. rates and on how spreads will behave in the coming months.

Against this backdrop, we remain constructive on Latin American fixed income. Current yield levels continue to offer meaningful carry, which should support total return over time and cushion periods of volatility. Spreads, in turn, remain a key variable, and their direction will likely depend on the evolution of U.S. rates, global risk sentiment and geopolitical developments. In this context, disciplined credit selection and active risk management remain essential. 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 volatile global backdrop.

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