

Santander AM Latin American Equity Opportunities

3 / 2026

Fund commentary

In March, the global backdrop shifted decisively toward risk-off as the U.S.–Israel conflict with Iran escalated, increasing the perceived risk of energy-supply disruptions around the Strait of Hormuz. Cross-asset moves reflected this shift: oil repriced sharply higher, the USD strengthened on safe-haven demand, and both metals and EM assets pulled back. The diversification and EM tailwinds highlighted in January–February have paused as markets reprice geopolitical risk and a potentially higher inflation impulse through energy.

That said, our base case remains intact: U.S. growth is still holding up, inflation continues to trend toward central bank targets, and the AI investment cycle remains a key global driver—capital-intensive in the near term, but with credible productivity and disinflationary effects over time. However, the distribution of outcomes has widened, with higher probabilities of both a harder landing and renewed inflation pressure, primarily via energy and confidence channels. The key variable is duration: a prolonged disruption around Hormuz and sustained elevated oil prices would increase the likelihood of a deeper risk-off environment.

In March, Latin America shifted from a broad risk-on environment to a more mixed backdrop as global markets moved into flight-to-safety mode. Higher oil prices and a stronger USD tightened financial conditions at the margin, pressuring metals and EM assets and pausing the diversification impulse seen earlier in the year.

Within LatAm, flows have been resilient, with Brazil among the few markets still attracting inflows, while YTD EM flows remain positive. If geopolitical tensions ease, Latin America remains well positioned to benefit from renewed EM allocation.

In Brazil, the BCB began its easing cycle with a cautious 25bps cut, appropriately balancing growth support with rising energy-driven inflation risks. The selloff in non-commodity names created attractive entry points, which we used to add Itaú, Bradesco, and Axia, and to initiate a position in Suzano.

Copel was a key highlight, generating meaningful shareholder value through disciplined participation in reserve energy auctions. It remains one of our highest conviction holdings: a differentiated utility platform with high earnings visibility, robust cash generation, and a clear capital allocation roadmap. Copel's asymmetric profile is supported by a resilient

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regulated base, improving efficiency, and positive sensitivity to higher power prices. Copel remains a top position in Brazil, alongside Bradesco and PetroRio.

In Mexico, Banxico continued its easing cycle in March and signaled further cuts ahead, supporting the medium-term domestic demand outlook. Following the recent pullback, we began to rebuild our position in Banorte, where valuations have become compelling and the risk-reward has improved.

Our Mexico exposure remains focused on high-quality consumer names with strong visibility and long-duration compounding. FEMSA continues to be a core holding and our preferred way to express the staples theme, supported by a resilient business model, consistent execution, and multiple value creation levers through OXXO, cash generation, and disciplined capital allocation.

In the Andean region, we continued to refine positioning with a focus on asymmetry. We reduced Credicorp following a robust performance, while maintaining it as a core holding in Peru. In Chile, we continued to exit Falabella as valuations became stretched. In Colombia, we increased our position in Cibest (Bancolombia), where we see a more attractive upside/downside profile at current levels.

We remain constructive on the opportunity set into 2026. While geopolitical risks may drive near-term volatility, the broader backdrop—moderating inflation expectations and a sustained capex and productivity impulse from the AI cycle—continues to support risk assets and reinforces the case for diversification beyond the U.S.

From a valuation perspective, Latin America remains one of the most attractive regions globally, trading at a meaningful discount to both developed markets and broader EM. The region also screens below its own 10-year average, while other markets are closer to or above historical norms. This valuation gap reinforces LatAm's appeal as markets stabilize following the current geopolitical shock.

We remain disciplined in our bottom-up approach, focusing on asymmetry – protecting then downside while preserving meaningful upside— and patience where returns are compressed, while acting decisively when dislocations emerge that allow us to upgrade quality and long-term value creation.

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