Santander AM Latin American Equity Opportunities

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Fund commentary

Latin American Equities registered profit taking after stellar start of the year, with double-digit negative returns of 13.9% in USD, underperforming Emerging markets (-5.7% in USD) and Developed markets (-8.4% in USD. Peru was the market that took most hit during the month, correcting 17.4% in USD, follow by underperforming Brazil (-14.9% in USD). While macro data has been positive, with industrial production and retail sales recovering, inflation data has been disappointing, which weighed negatively on the sentiment and expectations for the end of the hiking cycle in the country. Chile and Colombia delivered similar returns (-12.7% and -12.4% in USD), while Mexico, despite negative, outperformed the rest of the region with -11.2% returns in USD. Activity indicators in Mexico were mixed, with retail and services being positive, and disappointing industrial production data. In terms of the currencies, depreciation across the board pressured the equity returns, especially it was the case of Chile that saw Chilean Peso losing 7.7% against the dollar, on back of slower economy. Mexican Peso resisted the most retracting 2.7% against the USD.

By sector, Healthcare and Consumer Discretionary (both in Brazil) corrected the most, while the defensives of telecommunications and utilities outperformed. By style, Latam Growth underperformed Latam Value.

In terms of portfolio, underweight in Mexico helped the relative performance, as well as not holding positions in Peru. Slight overweight in Brazil was a minor retraction, while cash position served as a protection.