Santander Asset Management

Marketing Communication

Santander AM Latin American Equity Opportunities

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Fund commentary

In June, international stock markets posted strong performance, with U.S. indexes reaching new all-time highs, driven by expectations of interest rate cuts by the Fed, a rally in technology stocks, and signs of easing trade tensions with China. As a result, the S&P 500 and Nasdaq posted strong gains of 4.84% and 6.36%, respectively.

Developed markets have either begun or are on the verge of initiating monetary easing cycles, which is reinforcing global risk appetite and benefiting emerging markets, particularly in Latin America. Meanwhile, tariff negotiations between major economic blocs appear to be nearing an agreement, contributing to a more stable and predictable global environment. In this context, a weaker U.S. dollar has supported EM currencies and encouraged flows into equity markets.

In Latin America, the MSCI Latam rose by 5.53%, with Brazil, Colombia, and Peru as the main highlights.

Brazilian equities outperformed their Latin American peers in June (MXBR Index rose by +7,9%). However, a significant portion of the gains can be attributed to the appreciation of the Brazilian real.

At the sector level, domestically oriented names stood out, benefitted from inflation data that came in below expectations and a decline in local interest rate curves. Still, political noise capped further upside — particularly coming from the Congress's decision to overturn the IOF tax on credit operations.

In the long term, we maintain a constructive view on the local market: valuations remain attractive, the hiking cycle appears to be over, and positioning is still light in Brazilian equities.

In terms of portfolio changes, we marginally increased our exposure to higher-beta stocks with quality characteristics, while still maintaining an overall low-risk profile. The main adjustments during the month included a partial reduction in our exposure to Utilities and a renewed increase in Malls. We also moved to an almost neutral stance in the Oil sector, given the heightened volatility in commodity prices. We maintained cash levels around 2–3% across the funds, aiming to take advantage of potential market pullbacks.

From a sector perspective, we remain overweight in Utilities and Real Estate, where we continue to see attractive risk-reward asymmetry. On the other hand, our main underweights are in Basic Materials and other more cyclical sectors such as Consumer and Healthcare.

In June, Mexican equities rose +2.2% (MXMX Index total return in USD), underperforming the S&P500 (+5.1%) and Emerging Markets (+6.1%). However, on a YTD basis Mexico maintains an ample lead with +34.2% vs. the SPX (+6.6&) and EM (+16.3%). Hence, the strong YTD performance is a reminder that an under-owned but resilient stock market like Mexico can rally quickly and unexpectedly.

In local macro, Banxico cut its reference rate by 50bp to 8.0%, in line with expectations. In the same vein, both the May CPI (4.42% YoY) and core CPI (4.06% YoY) stood a bit above expectation but remain relatively close to Banxico's inflation target (3% +/- 1%). In our view, recent datapoints continue supporting our thesis that Banxico has room to continue cutting rates regardless of the Fed's next move – a key macro tenet that can drive further re-rating and/or provide support during times of market stress. Gross Fixed Investment remains in the red (-0.2% YoY in March) but topped forecasts and will face easy comps in 2H. The National Retail Association (ANTAD) published May Same-Store Sales of +10.3% YoY, an encouraging improvement vs. prior month's +2.4% YoY. Overall, the Mexican consumer remains resilient, although recent data keeps showing signs of moderation.

We continue favoring stocks with foreign revenue exposure, such as mining exporters that are benefitting from a weaker MXN as well as stronger commodity prices. Further, we remain constructive on names that benefit from the rates easing cycle, mainly via microlender Gentera but have trimmed positions after a strong rally. Moreover, we have tempered our positive stance in Airports, after recent prints showing sluggish traffic, coupled with strong YTD performance. In banks, we remain concentrated in large cap names with stronger client profiles, diversified revenue streams and lower sensitivity to falling rates. Lastly, we remain very selective in consumer names ahead of 2Q25 results, as some stocks will face negative volume growth (YoY) while others will suffer from negative margin surprises.