

Santander Latin American Corporate Bond

3 / 2026

Fund commentary

The asset class posted negative returns in March, primarily impacted by a rise in U.S. Treasury yields. The 10-year U.S. Treasury increased from 3.94% to 4.32%, while the 30-year rose from 4.61% to 4.91%, creating a less supportive duration backdrop. Latin American corporate spreads widened modestly by around 3 basis points on average at the index level, contributing marginally to the negative performance. Overall, the combination of higher U.S. rates and limited spread compression weighed on returns during the month.

March was dominated by a sharp energy-driven macro shock, as oil prices surged toward \$100 per barrel amid escalating geopolitical tensions. Retail sales weakness and softer confidence point to consumption growth moderating toward the 1.5–2% range, reinforcing the view that the U.S. economy is slowing but not contracting. Labor market dynamics remain broadly consistent with this soft-landing narrative. While headline payroll data have been volatile—including a sharp decline in February followed by a rebound—underlying job creation continues to stabilize around 50,000 per month, indicating subdued but still positive employment growth.

For monetary policy, the key theme in March has been a shift toward a more hawkish market narrative driven by inflation risks rather than growth strength. The oil shock has led markets to reassess the path of rates, with expectations moving from rate cuts toward a prolonged pause—and even some probability of further tightening. Still, historical precedent suggests that the Federal Reserve is likely to look through energy-driven inflation spikes unless they spill over into core inflation, keeping policy on hold in the near term. Overall, the March backdrop is characterized by a more challenging mix for fixed income: moderating growth, rising inflation uncertainty, and heightened geopolitical risk, all of which contribute to increased volatility and a less predictable path for rates.

During March, the fund posted a negative absolute return but outperformed its benchmark. Positive relative contributions came from the Oil & Gas, Airlines, and Agriculture sectors. These gains were partially offset by weaker relative performance in Chemicals, Electric, and Banks. Overall, sector and credit selection contributed positively to relative performance. The top contributors were RAIZBZ 54s, RAIZBZ 32s, and RAIZBZ 37s, while the bottom contributors were ALFACL 51s, SAAVIE 35s, and AMXLMM 49s.

March saw a relatively subdued pace of Latin American corporate issuance, with activity limited to a few transactions. Notable deals included Fondo Mivivienda, which issued \$400 million, and Ueno Bank, which came to market with a

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\$350 million transaction. Overall issuance remained modest and was well absorbed, reflecting continued investor selectivity and generally supportive technical conditions despite increased volatility in global markets.

Geopolitical developments—particularly those affecting energy prices—have become a more prominent source of volatility, with direct implications for inflation, rates, and overall risk sentiment. This backdrop suggests a less predictable path for markets, with periods of heightened volatility likely to persist. Within this context, we maintain a constructive view on Latin American fixed income. While spreads have compressed over the past year, absolute yields remain at attractive levels, offering a meaningful buffer against both spread widening and higher U.S. Treasury yields. This carry continues to support total return potential, even in more challenging conditions. That said, current valuations leave limited margin for error, reinforcing the need for disciplined credit selection and active risk management. Overall, we continue to view the asset class favorably for the year ahead.

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