

Santander AM Latin American Equity Opportunities

2 / 2024

Fund commentary

February was a slightly negative month for the MSCI Latam 10/40, with a performance of negative 0.1%. Whereas our fund was up by 0.14%. This month LatAm underperformed both EM (+4.2%) and the ACWI (+4.6%). The global narrative remains the same, markets closely watch the Fed's messages and being volatile every time we have inflation or employment related data from the US. Regarding rate cuts, at some point in time there were expectations about rate cuts in March, that has largely changed, and probabilities are skewed towards the second half of 2024. Regarding China, there is a slightly more positive tone because of the measures being taken by the government in the equity markets, with some buying and restrictions to short selling. On the economic side, 2024 doesn't seem like a strong year, with authorities setting a growth target around 5%.

Locally there was mixed performances among LatAm constituents, Peru led the way (+6.9%) and Chile (+5.6%) rebounded after a very weak January. Brazil was flat and Mexico fell by -2.9%. In terms of flows, we've seen investor pulling investments from LatAm.

In Brazil, we had carnival season, so it was a quiet month on the political side. On the macro news, inflation came a bit over expectations, with a print of 0.42% MoM and 4.5% YoY. Despite this, consensus seem to believe in a downward trend for inflation, so the Selic rate should end the year around 8.5-9.5%. Market wise, we highlight the positive performances of WEG (+13.5%), Suzano (8.3%) and Vibra (+8%). On the negative side, main losers were Bradesco (-10%), Equatorial (-5%) and Petrobras (-3%).

In Mexico, there's been a change in the narrative from the Banxico, with an increasing chance of cutting 25 bps in their March meeting. We also had GDP data, with a 4Q growth of 2.5% YoY, closing the 2023 growth at 3.2%, much higher than what was expected at the beginning of 2023. CPI was as expected coming in at 4.9%. At the stock level, we saw good performance from Chedraui (+13.2%), Gentera (+10%) and BVL (+6%). On the negative side, we highlight Cemex (-8%) and FEMSA (-8.3%), the last one took a hit after their dividend and buyback announcements didn't convince the market, and we also saw the exit of some key executives.

Andean were the winners of the month, in Chile we had strong performances SQM (+17%), because of lithium prices and Falabella (+12%). During February the congress was off, so no updates on that side, but we expect discussion

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regarding pension and tax reform to pick up during March. On the macro side, we had CPI for January coming in at 0.7%, above 0.4% est. It's important to highlight that since the beginning of 2024 there's a new methodology for CPI, where volatile components have a higher weight. Economic activity for December also disappointed, falling 1% YoY, and likely putting 2023 GDP flat or slightly negative. In Peru, we believe there's a better environment than the last couple of years. A combination of better political landscape and a weaker "El Niño" led to stocks like Credicorp to rally 14%. Aside from that, the Central Bank cut rates by 25 bps, reaching 6.25%.

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