

Santander AM Latin American Equity Opportunities

1 / 2025

Fund commentary

Latin America started the year on the right foot, completely differentiating itself from what happened during 2024, thus during January, the region was the best performing in global terms, performing 9.4% during the month, while emerging markets rose only 1.7%. Although all countries in the region presented positive returns, it is worth highlighting Colombia, which in the first month of the year showed an appreciation of more than 20%.

At the level of the main countries we can highlight:

-Brazil: It presented a profitability in dollars of 12.3% during January, explained in a relevant part by the appreciation of the Real by 5.7% in the first month of the year. Although inflation expectations remain high, the discipline of the Central Bank and the first signs of moderation in economic growth, together with the already known very discounted valuations, contributed to a perception that the worst may be behind us.

-Mexico: While the currency maintained its high level of volatility that it has presented in recent months, the stock market presented a profitability of more than 3%, below its Latin American peers, but still above the average for emerging markets. The implementation of tariffs by the United States is and will probably be the issue that will dominate the Mexican markets in the short and medium term.

-Andean Markets: The aforementioned performance of Colombia is notable, despite the political tensions during the month with the United States. Peru was the country with the lowest relative performance in the region, reaching only 1% during the month, while in Chile the pension reform was approved that reaffirms the importance of the capital market in the country, which led to an attractive profitability of 8.4% in dollars during the month.

Positioning

In terms of positioning, we reduced our overweight in Brazil and adjusted local positioning, shifting towards more defensive and USD-exposed names, reducing some discretionary names in the face of higher rates and a potential deterioration in the consumer environment.

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Following this change, we remain overweight in Argentina, Brazil and underweight in Peru, Colombia and Mexico. In sector terms, our main overweights are in Discretionary, Utilities and Energy, financed mainly by Communications and Industrials.

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