

Santander Latin American Corporate Bond

11 / 2024

Fund commentary

November was a positive month for the asset class, benefiting from lower Treasury yields. Although spreads showed some signs of fatigue with a moderate increase, this did not prevent the asset class from showing positive returns. The 10-year Treasury yield declined to 4.17% from 4.28%, while the 30-year yield decreased to 4.36% from 4.48%. The average spread level of the CEMBI Latam increased to 271 bps from 259 bps.

The US economy showed mixed signals in November. The services ISM rose to its highest level since July 2022, indicating potential acceleration in business investment growth, while the manufacturing ISM suggested negative growth. Jobless claims fell to their lowest level since April, normalizing after previous distortions. Following Trump's election win, market attention shifted to potential new measures, with fiscal stimulus expected to boost growth, though a trade war could negatively impact growth, rates, and yields. The Federal Reserve cut rates by 25 basis points, and market expectations and long-term yields have risen post-election, reflecting a focus on potential GDP growth and inflation.

The fund had a sound performance during the month, both in absolute and relative terms. We benefited from good positioning in the Electric sector, where the fund has a structural overweight with a good selection of bonds with relatively higher duration. The fund also benefited from its positioning in Banks, where it also has a structural overweight that benefited from good performance in Colombia. The fund's underweight in the Telecommunications sector also played in its favor during the month. These positive relative contributions were partially offset by negative relative performance in the Chemicals, Food, and Beverage sectors.

The top contributors were LTMCI 30s, GTE 29s, and ALFACL 51s, while the bottom contributors during the month were TIGO 31s, SIMBHZ 31s, and CELEO 47s.

It was not an active month in the primary market. There were issuances from MSU Energy (\$177mm), Sitios Latinoamerica (\$650mm), and Banorte with a dual-tranche deal for a total of \$1.5bn.

As we approach the end of the year, our asset class has delivered solid returns. Looking ahead, we anticipate limited activity in the primary market and potentially lower liquidity in the secondary market. US yields are likely to exhibit some volatility as the market assesses the implications of a potential new Trump administration on the global economy. Despite these uncertainties, we remain constructive on our asset class, confident that the current yield levels are attractive and that Latin American corporates are supported by strong fundamentals.

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For product information, please contact Santander Asset Management Luxembourg S.A. (43, Avenue John F. Kennedy L-1855 Luxembourg - Grand Duchy of Luxembourg), management company of the UCITS under the supervision of the Commission de Surveillance du Secteur Financier (CSSF). The depositary and administrator of the UCITS is JP Morgan SE, Luxembourg Branch (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

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