

Our View On-The-Ground

REGIONAL MARKET VIEWS

Latin America's Geopolitical Advantage

Why a more divided global economy is bringing the region back into focus.

| A strategic change

Over the past two years, global capital allocation patterns have begun to shift, redefining the role of emerging markets within international portfolios. For an extended period, Asia, particularly China and the Asia-Pacific region, was a significant component of global investment strategy. However, the way international companies and institutional investors conduct business is evolving as a result of escalating production costs, supply chain challenges, increasing regulatory uncertainty, and geopolitical concerns.

Global investment in Latin America has increased. This is the result of a convergence of several structural factors, including a stable geopolitical environment, a large and expanding consumer market, low production costs, proximity to North American markets, and the development of technology ecosystems that are more advanced than those in other emerging regions such as the Middle East or Africa.

These factors indicate that Latin America has entered a new phase of strategic significance for investors in the global economic landscape.

| The expansion of the population and the rise in consumption

One of the primary factors behind this trend is Latin America's population. With more than 660 million people, the region represents a significant market for goods and services in the developing world. Numerous nations have quietly

prospered over the last two decades, resulting in increased demand for digital platforms, financial products, commodities, and services.

For multinational companies, this represents an opportunity to access both established markets and new, expanding consumer segments. The combination of demographic scale and growing

purchasing power shapes a consumption narrative that remains highly relevant for global companies seeking to diversify beyond saturated developed markets.

While Asia continues to boast some of the world's largest economies, many sectors there, such as manufacturing and industry, are beginning to expand. In order to achieve faster growth rates in more competitive markets, it may be necessary to implement more sophisticated positioning strategies, adhere to more intricate regulations, and allocate additional funds. Conversely, numerous industries in Latin America continue to possess substantial potential for expansion.

| The rise in competitiveness and nearshoring

Another significant factor contributing to the growing importance of Latin America is the diversification of supply chains and the relocation of operations to more regional locations by businesses worldwide. This development is particularly beneficial for Latin America.

Mexico, Brazil, and Colombia are all attractive locations for conducting business due to their proximity to North American markets, robust industries, and lower wages. Mexico has experienced substantial advantages from nearshoring due to its proximity to the United States and its robust industrial foundation in sectors such as aerospace, electronics, and automotive.

Companies that sell to North America can benefit from the relocation or expansion of production to Latin America in numerous ways. These include reduced shipping costs, shorter shipping times, and a more efficient supply chain.

| The role of geopolitics in a world that is divided

In the current global context, Latin America's geopolitical position is becoming more significant despite its economic and industrial challenges.

The world's main nations are now engaging in a more strategic and intense competition with one another. As a result, geopolitical risk has become a critical factor in global investment decisions due to the conflict in Eastern Europe, tensions between the United States and China, and instability in certain regions of the Middle East.

In this instance, Latin America is unique in that it has not been involved in numerous significant conflicts worldwide.

There have been no conflicts between Latin American countries in the past few decades. This is not the case in other emerging regions that are presently grappling with direct geopolitical

conflicts or land disputes. The region primarily employs diplomacy to resolve disputes and allocates fewer resources to the military than other regions of the world.

This stability is of paramount importance to individuals who intend to invest their money. Armed conflicts have a detrimental impact on the economy and the communities in which they occur. Sanctions, trade issues, and damage to critical infrastructure are among the hazards. Direct interruptions that could potentially impact investment returns are less probable in Latin America, as it is geographically distant from these contentious regions.

| The integration of commerce and institutional systems

Latin America is a more favorable investment destination due to the presence of a greater number of trade agreements and mechanisms for economic integration.

One of the organizations that has endeavored to enhance the connectivity of the region's economy, facilitate capital flows, and improve the ease of doing business is the Alianza del Pacifico (Pacific Alliance), which includes Mexico, Colombia, Peru, and Chile. Despite this, MERCOSUR remains a significant trade organization that unites some of the most significant economies in South America.

Additionally, the United States and Mexico collaborate on economic matters through the United States-Mexico-Canada Agreement (USMCA). This supports the expansion of regional supply chains and the investment of enterprises in other countries.

These institutional frameworks help international enterprises conduct business in the region by these institutional frameworks, which eliminate trade barriers, clarify regulations, and enhance stability.

| Implications for global capital allocation

The integration of these structural components reveals that it is becoming increasingly challenging for investors from all over the world to disregard Latin America.

This region offers several advantages that are less common in other emerging markets. For instance, it is situated in close proximity to significant consumer markets, has a burgeoning technology ecosystem, and maintains stable geopolitics. Additionally, it has a sizable population.

In a world where geopolitics are fractured, supply routes are evolving, and economic outlooks are uncertain, Latin America's equilibrium between economic potential and stability may be increasingly relevant.

The region is gradually becoming an essential component of the development of emerging market portfolios for global investors who seek to diversify, generate income, and maintain their growth exposure.

This opinion article was written on March 12, 2026, by the team of analysts at OTG Asset Management.

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