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Navigating Emerging Markets
The next growth cycle

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A Fresh Look at Latin America

For many global investors, Latin America remains one of the most misunderstood regions in emerging markets.

Political uncertainty, currency volatility and commodity dependence have shaped perceptions for decades. Yet while these characteristics have not disappeared entirely, they increasingly fail to reflect the broader structural changes taking place across the region.

Speaking at Aubrey Capital Management and LarrainVial's *Navigating Emerging Markets: The Next Growth Cycle* seminar, **José Manuel Silva**, Chief Investment Officer at LarrainVial Asset Management, argued that Latin America is entering a period where several long-term trends are converging, creating what could become a sustained re-rating opportunity for investors.

"*The big question is, can Latin America sustain this momentum?*" he said. "*We believe these structural forces are helping drive the re-rating of Latin American assets.*"

Silva identified a number of themes supporting this outlook, with the most obvious being attractive valuations. After years of underperformance relative to developed markets and other emerging economies, Latin American equities continue to trade at historically low levels, even as many underlying fundamentals have improved. For investors searching for opportunities beyond increasingly concentrated global equity markets, the valuation gap is becoming harder to ignore.

At the same time, the political backdrop is evolving. Across several countries, elections have brought more market-oriented governments focused on fiscal discipline, deregulation and encouraging private investment. While political risks remain an inherent feature of the region, Silva argued that today's environment differs markedly from previous decades, with stronger institutions and more independent central banks providing greater economic stability.

"*Central banks have been quite orthodox lately in the region,*" he noted, highlighting how monetary credibility has become one of Latin America's most significant, but often overlooked, structural improvements.

This has created another potential catalyst for investors. Having maintained relatively high real interest rates to control inflation, many countries are now in a position where monetary policy can begin to ease. Lower interest rates would provide additional support for equity valuations while also stimulating domestic consumption and investment.

Alongside improving macroeconomic conditions, Latin America's strategic importance within the global economy is also increasing.

The transition towards cleaner technologies has renewed investor focus on the region's vast reserves of critical minerals. Chile remains one of the world's leading lithium producers, while Argentina is rapidly expanding production and Brazil continues to develop rare earth resources. Beyond mining, Brazil is strengthening its position as both an agricultural powerhouse and an increasingly important energy exporter, while Mexico continues to evolve into a globally integrated manufacturing hub, particularly across automotive and industrial supply chains.

Rather than relying solely on commodity exports, Silva argued that Latin America is becoming increasingly diversified, with structural reforms helping improve productivity across multiple sectors.

"*Many people forget the size of Latin America. Latin America has 650 million people, a $6 trillion economy, and every day the region becomes more integrated through decades of structural reforms.*"

Perhaps one of the less widely recognised developments is the growing influence of domestic capital markets. Pension reforms and expanding institutional investment pools mean local investors are becoming an increasingly important source of long-term capital. Silva highlighted that institutional assets across Brazil, Mexico and Chile now total around $3 trillion, creating a much stronger domestic investor base than existed a generation ago.

This shift matters because stronger domestic ownership can help reduce reliance on international capital flows, providing greater resilience during periods of global market volatility.

None of this suggests the region is without challenges. Fiscal pressures remain in several countries, elections continue to create uncertainty and global trade tensions - particularly those involving the United States - could still affect export-driven economies. These risks remain an important consideration for investors.

However, Silva's central message was that too much attention remains focused on yesterday's Latin America rather than the region that is emerging today.

"*There will always be volatility in Latin America, but if you focus on the long-term structural trends, the opportunity today is much more compelling than many investors appreciate.*"

Improving governance, more disciplined monetary policy, abundant natural resources, growing domestic capital markets and attractive valuations are creating a combination of factors that has rarely aligned so positively. As global investors seek opportunities beyond increasingly concentrated developed markets, Latin America may once again be moving from the periphery of investment portfolios towards the mainstream.

For active investors prepared to look beyond familiar narratives, the region's next growth cycle may already be underway.

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