FUND LAUNCHED
2005

FUNDS UNDER MANAGEMENT
£552.3
MILLION

NET ASSET VALUE PER SHARE
526.0%
SINCE INCEPTION*

UTILICO Emerging Markets Trust plc

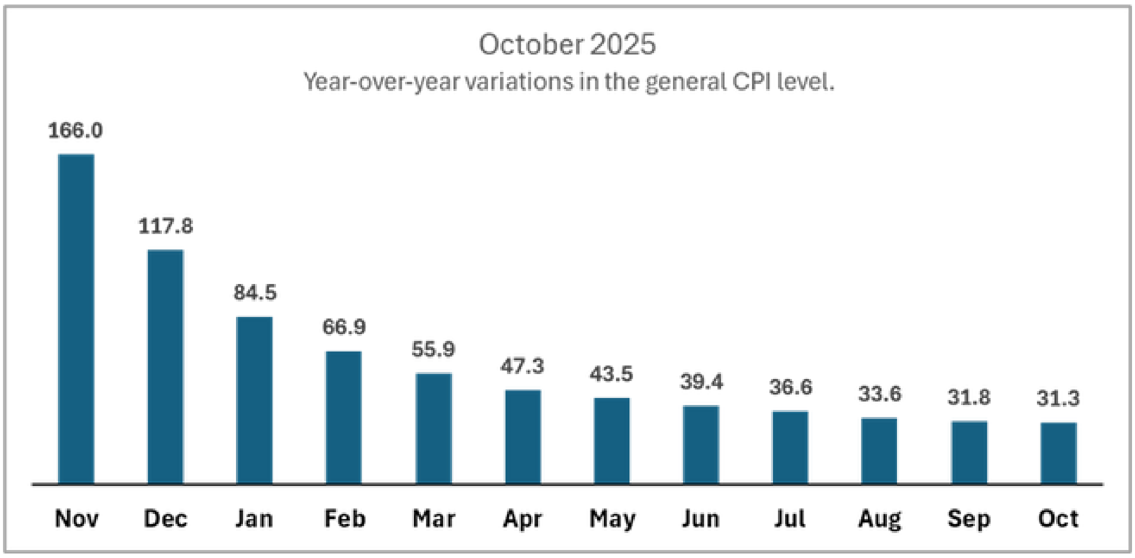
Argentina's Elections: A Vote of Confidence in Milei

December 2025

For a long time, Argentina's economic trajectory has been one of gradual decline with a long-term instability marked by chronic fiscal deficits and a history of sovereign defaults[1]. By the end of end-2023, this persistent mismanagement had culminated in a "new" crisis. Year-over-year inflation reached an alarming 211.4%[2], the fiscal deficit stood at 4.4% of GDP[3], and the central bank's reserves were depleted. This economic breakdown was financed through the printing of money, creating a dysfunctional exchange rate system where the gap between official and parallel rates exceeded 160%[4].

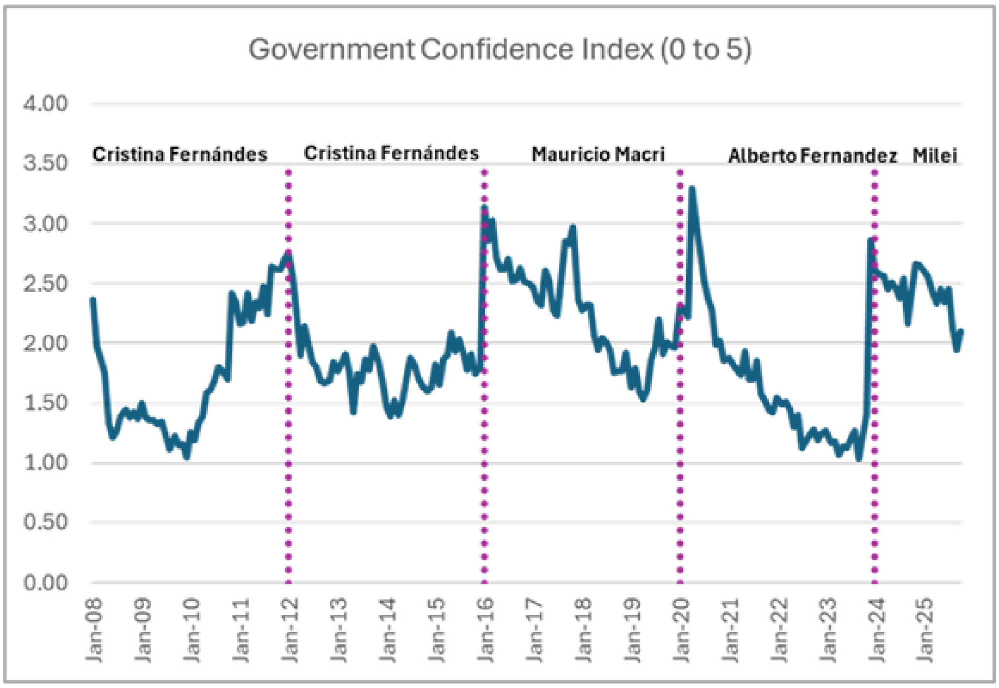
In this context, the November 2023 presidential election marked a stark turning point. Voters elected Javier Milei, a libertarian and political outsider, with approximately 55.7% of the runoff vote[5]. His campaign centred on strict proposals for fiscal discipline and market liberalisation, representing a significant shift in economic policy as voters opted for change over traditional politics. Taking office in December 2023, Milei launched aggressive fiscal and monetary shock therapy, including deep spending cuts, subsidy reductions, and currency devaluation with the aim of targeting a budget surplus in 2024, while curtailing the monetary financing of the deficit. Despite Milei only having a congressional minority, the administration pushed through structural changes. By April 2025, reforms accelerated as the government moved to a managed FX float and loosened capital controls – something not witnessed in Argentina for over 6 years.

The effects of this shock therapy were as swift as they were profound. In 2024, Argentina achieved its first fiscal surplus in over a decade, posting a 1.8% primary surplus[6]. Monthly inflation plummeted from its 8.8% peak (289.4% year-over-year) to 2.3% by October 2025[7] (31.3% year-over-year), and the exchange rate gap narrowed substantially[8]. However, these gains came at a significant short-term cost. The economy contracted by 1.7% in GDP terms in 2024[9] and poverty levels rose above 40%[10]. Yet, as economic stabilisation took hold, a rebound began; poverty fell in the second half of 2025 to 31.6%[11]. With confidence slowly returning, economic growth is now projected to reach 4.5% in 2025 and 4.0% in 2026[12]. This domestic effort has also been supported by crucial international backing, including a USD 20 billion financing package from the IMF provided in April 2025[13].



Source: Indec

Despite these early successes, the persistent recessionary effects of the adjustments began to weigh on public opinion by 2025. This economic strain was worsened by political scandals that hit the administration. The LIBRA crypto scandal in February 2025 erupted after Milei promoted a suspicious token that later collapsed, triggering legal complaints, investigations, and impeachment calls, while a separate alleged kickback scheme in drug procurement further damaged sentiment, especially after leaked audio implicated the president's sister, Karina Milei, and other close associates.



Source: Índice de Confianza en el Gobierno. Escuela de Gobierno. Universidad Torcuato Di Tell

The political damage from these crises became evident in the September 2025 Buenos Aires provincial elections, where Milei's allies suffered a significant defeat [14]. The vote renewed half the provincial legislature and local councils, and despite expectations of a tight race, the Peronist Fuerza Patria coalition (opposition) won 47% versus 34% for Milei's La Libertad Avanza (LLA). A Milei win was already unlikely given the province's Peronist tradition, but the wider then expected margin won by the opposition surprised markets [15]. This loss heightened anxieties about Milei's vulnerability heading into the crucial October 26th national midterm elections, to renew 50% of deputies and 33% of senators, raising questions about his party's performance and ability to advance pending reforms.

Amid these uncertainties, President Trump hosted Milei at the White House on October 14th, publicly aligning with his agenda and conditioning U.S. aid on a strong midterm performance[16]. U.S. Treasury Secretary Scott Bessent reinforced this support on X, praising Argentina's structural reforms and wrote that the U.S. would purchase Argentine pesos, vowing to take the necessary measures needed to stabilise markets[17].

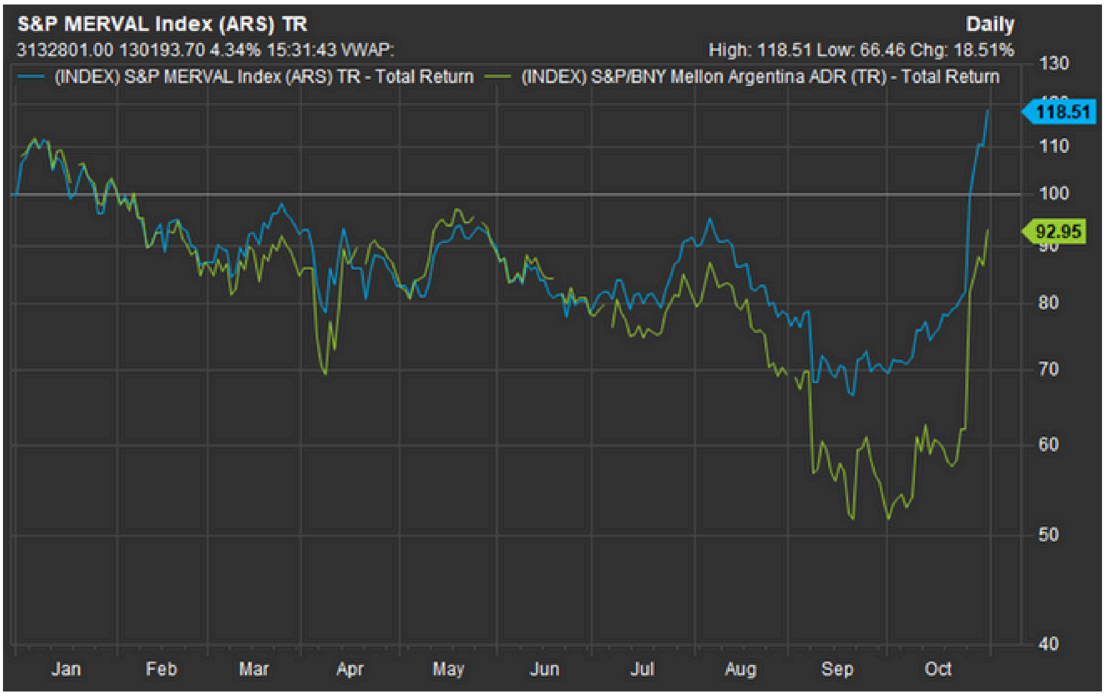
Against a backdrop of low expectations after the weak result in the Province of Buenos Aires, Milei's LLA party achieved a solid victory, securing 41% of the national vote, marking a significant recovery of its political momentum[18]. This positioned LLA as the single largest bloc, surpassing the Peronist coalition, and securing more than the one-third threshold in the Chamber of Deputies. This threshold allows LLA to uphold presidential vetoes, prevent impeachment attempts, and protect its reform agenda. While the party still falls short of an outright majority and will need to negotiate, the enhanced congressional presence significantly reduces threats to its policies. In the Senate, the party captured 13 of the 24 contested seats[19]. The victory was particularly striking in the traditional Peronist stronghold of Buenos Aires province, where Milei had just lost some weeks earlier.

CHAMBER OF DEPUTIES			
Party	Current Deputies Chamber	Next Deputies Chamber	Change
Hard Left	99	99	0
Others	86	54	-32
PRO+LLA	72	104	32
PRO	35	24	-11
LLA	37	80	43
Total	257	257	
1/3	86	86	
Quorum	129	129	

SENATE			
Party	Current	Next	Change
Hard Left	34	28	-6
Others	24	20	-4
PRO+LLA	14	24	10
PRO	8	6	-2
LLA	6	18	12
Total	72	72	
1/3	24	24	
Quorum	37	37	

Source: BBC [20]

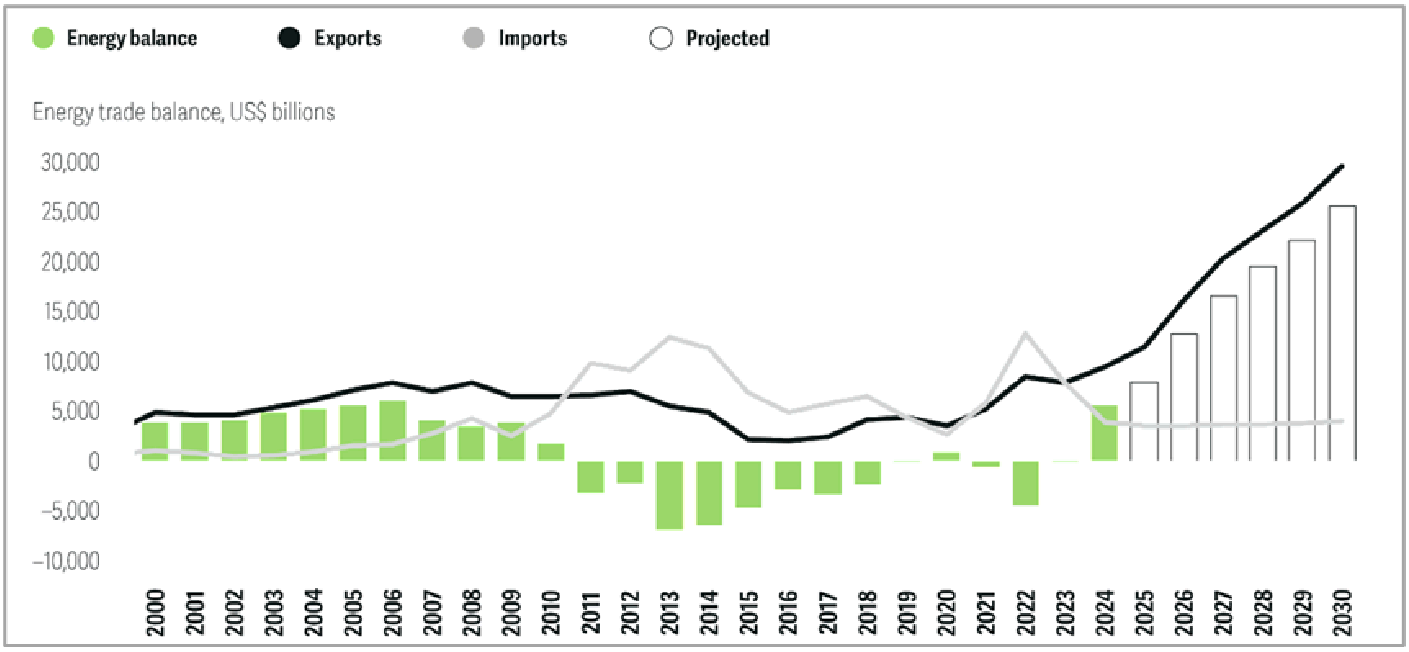
The result reaffirmed support for Milei's reform agenda, signalling that voters, despite the economic pain, backed the stabilisation program. It has also strengthened the administration's legislative leverage and has been viewed as a signal of policy continuity, with Argentine assets rallying since then. However, significant challenges remain. The administration still needs to negotiate to pass major legislation, and execution risks persist alongside the potential for social pushback.



Source: Factset

In addition to this crucial political event, investors should continue to monitor Argentina's oil and gas boom, centred on the Vaca Muerta region, which is emerging as a major macro stabiliser by boosting exports, FX inflows and direct investments. Unconventional output rose from under 20% of national production in 2019 to 55% in 2024[21]. Looking ahead, national crude output is expected to increase 13% in 2025[22], while Vaca Muerta exports alone could reach USD 37bn by decade-end, turning the sector into a key source of external surpluses[23]. This significant growth in oil and gas production will continue to demand substantial investment in infrastructure - a segment where Utilico Emerging Markets Trust plc (UEM) sees enormous potential across the region.

Energy trade balance – Oil & Gas is set to become a significant source of USD:



Source: From Deloitte with data from INDEC and the Central Bank of Argentina

A better-than-expected midterm result has re-generated a positive momentum, dampening uncertainty and providing the government with the political capital it needed to continue pursuing its ambitious transformation. We at UEM are watching Argentina closely for investment opportunities as they arise.

Eduardo Greca
Head of Latin America

December, 2025

Source Data: ICM Limited.

[1] Argentina defaults on debt, again – DW – 05/23/2020
[2] INDEC - Instituto Nacional de Estadística y Censos de Argentina
[3] Argentina economic outlook | Deloitte Insights
[4] Deloitte - Doing Business in Argentina Edition 2025
[5] Milei, presidente: ganó por 11 puntos y prometió "cambios drásticos, sin gradualismo" - LA NACION
[6] Milei's Argentina seals budget surplus for first time in 14 years | Reuters
[7] Índice de precios al consumidor (IPC). Cobertura nacional. Octubre de 2025
[8] Deloitte - Doing Business in Argentina Edition 2025
[9] Informe de avance del nivel de actividad. Cuarto trimestre de 2024
[10] Incidencia de la pobreza y la indigencia en 31 aglomerados urbanos. Segundo semestre de 2024
[11] Incidencia de la pobreza y la indigencia en 31 aglomerados urbanos. Primer semestre de 2025
[12] World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim
[13] IMF Executive Board Approves 48-month US$20 billion Extended Arrangement for Argentina
[14] Argentina's Milei suffers crushing setback in Buenos Aires election | Elections News | Al Jazeera
[15] Argentine markets plunge after Milei's party loses to Peronists in Buenos Aires vote | Reuters
[16] US aims to raise $20bn 'facility' to support Argentina's struggling economy | Business and Economy News | Al Jazeera
[17] US Treasury Intervenes Directly in Argentine FX market
[18] Argentina 2025 Midterms Milei looks to gain legislators in pivotal election for his future
[19] Argentina elections: Javier Milei and his 'chainsaw' austerity win big
[20] Javier Milei's party receives strong support in the midterm elections
[21] Argentina oil and gas | Deloitte Insights
[22] Argentina 2025 October Egonomic Outlook - Deloitte
[23] PWC - Doing Business in Argentina

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