

# Santander AM Euro Corporate Bond

3 / 2021

## Fund commentary

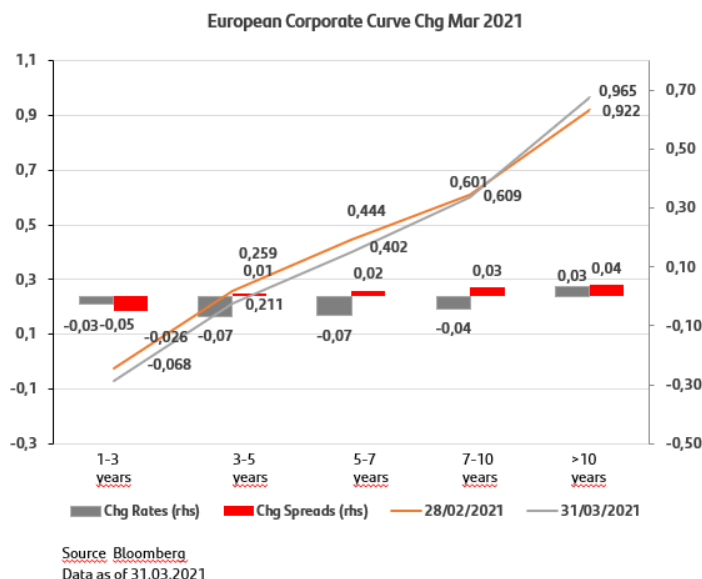
The month of March, was positive for risk markets with major Equity indices going up over the month. The higher optimism over the vaccination process and better economic prospects were the main responsible behind this movement. At the same time, the USD strengthened in relation to the EUR, while government bond yields continued to rise in the US.

The ECB was quite vocal and decisive in its monthly meeting, after the preceding comments from Schnabel and Lane about the PEPP flexibility. The central bank affirmed that higher purchases were going to be put in place over the next 3 months, to contain the euro rate curves moving higher.

The Fed meeting brought an aggressive review of 2021 growth prospects to 6.5% from 4.2% in December 20, and also inflation (above 2% temporarily) but with no changes in terms of monetary policy, with Powell reiterating that it still soon to talk about tapering.

As a consequence, we witnessed decoupling of German bunds that closed at -0.29% from -0.26% from the 10 year US treasury closed the month at 1.74% going up another 0.33%. The ECB stepped up the purchases to a weekly €28Bln after the meeting, the highest weekly purchase since the start of the program.

The IG euro corporate markets, posted mild positive returns on the back of lower rates, with spreads widening by 2bps. The performance was similar between financials and non-financials on a general level, but peripheral financials behaved slightly better. We've noticed a small steepening of credit curves with the long end underperforming.



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The primary market was quite active, after a slowdown in February, for both IG and HY. This has helped the ECB step up its CSPP purchases to almost close to €9Bln (almost double vs Feb) if we consider redemptions. The step up in purchases also helped, contained spreads in an environment of outflows from retail funds, a typical move of flows following returns, after a disappointing start of the year.

The fund posted positive returns and over performed its benchmark during the period. The over performance came mainly from the financial segment, in particular the Insurance segment where the fund is OW that performed quite well. The curve positioning was also beneficial with the OW in 3-5 year and UW in the long end bucket paying off. The fund was active in the primary market, participating in some new issues where we saw more value (example: STANLN LT2, Coca Cola, UBS or Société Générale)

The Fund ended the month with an YTW of 0.58% and a Duration of 5.39 years invested at 97.5%.

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