

# Santander Latin American Corporate Bond

3 / 2021

## Fund commentary

March was a challenging month for the fund as it slightly underperformed on a relative and absolute basis. The asset class felt the pressure of the US treasury sell-off which saw the 10 year yield move from 1.41 to 1.74 in the month following an improvement of economic forecasts amid the reopening of economies. This meant that duration played a key role in performance this month with the fund's overweight position in longer dated bonds resulting in some negative relative performance.

Besides duration, the fund performance in the period was impacted by the performance of Brazilian credit where it holds an overweight position. Brazil has been facing further headwinds in regards to Covid 19 where cases and deaths continue to climb on a daily basis. As a result, bonds prices sold off, particularly in sectors linked to local spending such as Building materials, Packaging & containers and Transportation.

There was positive relative performance from the funds sustained underweight position in Argentina where there continues to be uncertainty and challenges for credits regarding access to capital markets to refinance their existing debts. Our underweight positions in Peru and Chile were also positive given the overall sell-off in bonds across the region

The new issue market was once again active as companies continued to take advantage of the low interest rate environment while they still can. We participated in new issues from Minerva, VTR Communications, Banco de Credito del Peru, Operadora de Servicios Mega and CMPC, the last of which was yet another sustainable bond, something which has become a common feature for Pulp & Paper issuers in 2021.

During the month we continued to reduce the fund's exposure to Brazil, something we have been actively doing since February. We also added duration through the long dated Mexican bonds with the expectation that we see the sell-off in rates coming to an end and some form of reversal in the months to come.

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This fund has a prospectus which is drafted in English and can be obtained from [www.santanderassetmanagement.com](http://www.santanderassetmanagement.com)

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