

Santander AM Euro Corporate Bond

4 / 2022

Fund commentary

The month of April continued to be difficult for credit markets, with the markets clearly putting in price a faster pace for rate hikes on both sides of the Atlantic. The inflation tensions are leading to a more hawkish rhetoric by central bank speakers, that has led to one of the worst months for credit of the last 20 years, only surpassed by March 2020 (Covid19) and September/October 2008 (Lehman). Adding to the mix, the China lockdowns did not help sentiment given its impact on supply chains.

During the month not only rates drove performance, but also credit spreads that widened by 21 bps (ER00), basically "recovering" all the tightening from March and placing credit spreads at 150bps (+52bps YTD).

With this latest movement credit yields have spiked aggressively to levels not seen since 2013.

The ECB presence via CSPP was clearly more moderate during the month, with only €3Bln bought under the program up to the 22nd April.

The primary market was slow in terms of volumes, but almost in line with April of 2021 issuance levels, with both market volatility and reporting season being responsible for the diminished activity. The financial segment was the main participant, where are seeing new issue premiums rise, that in turn lead to market repricing. On the non-financial segment (strangely enough) the new issue concession is lower, but overall performance in secondary still manages to be good both segments.

During the month, the fund performance like the market was negative, but it managed to outperform its benchmark. The fund curve positioning was beneficial, with this overperforming on the more than 5 year buckets. In terms of sectors the fund underperformed in financials and utilities, while overperforming in Capital and Consumer goods, Basic and Transportation sectors. The fund was active in the primary market adding 10 new issues, sold other bonds that offered less value and did some curve optimization trades.

At the end of the month, the fund was invested at 97.7% and had a 2.37% YTW vs 2.11% for the benchmark and 4.73 years of duration vs 5.01 for its benchmark.

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This fund has a prospectus which is drafted in English and can be obtained from www.santanderassetmanagement.com

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