

# Santander AM Euro Corporate Bond

3 / 2026

## Fund commentary

March was marked by a further increase in geopolitical uncertainty, heightened volatility in financial markets and a significant repricing of monetary policy expectations. The escalation of tensions in the Middle East, including disruptions to energy supply routes, led to a sharp rise in oil and gas prices, contributing to a more cautious tone across global risk assets.

The Federal Reserve maintained rates unchanged but adopted a more cautious tone, highlighting upside risks to inflation linked to energy prices. Market expectations shifted materially over the month, with investors scaling back expectations of rate cuts and beginning to price a more prolonged restrictive stance, with even the possibility of further tightening in certain scenarios.

In Europe, the ECB also left policy unchanged, but communication became increasingly hawkish. Policymakers highlighted the inflationary risks stemming from higher energy prices and acknowledged growing uncertainty around the growth outlook. Expectations shifted toward potential rate hikes later in the year rather than cuts. At the same time, economic data softened, with weaker survey indicators and declining confidence pointing to a more fragile growth backdrop.

Government bond markets experienced a sharp sell-off during the month. Yields rose significantly across both core and peripheral curves, particularly in the front end, reflecting the repricing of monetary policy expectations and higher inflation risk premia. The move was more pronounced in Europe than in the US, given the region's greater sensitivity to energy prices.

Credit markets were negatively impacted by this combination of higher rates and increased volatility. Euro investment grade spreads widened over the month, moving from around 80bp levels toward the mid-90bp range, with the most pronounced weakness in lower-rated and more cyclical segments. Sectors such as Real Estate, Autos and Technology underperformed, while more defensive sectors, including Utilities, Telecoms, Consumer Goods and Healthcare, showed greater resilience, translated into better peripheral performance more exposed to defensive sectors. Despite widening spreads, the main driver of negative performance was the rise in underlying government bond yields.

European high yield also underperformed, with spreads widening more significantly and reflecting a more cautious risk environment.

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Primary market activity was more uneven than in previous months. While issuance windows reopened intermittently, activity slowed during periods of heightened volatility. Nevertheless, demand remained selective but supportive, particularly for high-quality issuers, and new issues were generally well absorbed when market conditions stabilized.

The fund posted a negative return, primarily impacted by the combination of higher interest rates and increased volatility mentioned above. All sectors —except for the short-dated investment in supranational bills— contributed negatively, with Banking and Utilities acting as the main detractors. On a relative basis, the fund performed in line with its benchmark. During the month, we remained opportunistically active in the primary market while maintaining a moderate overweight position.

At the end of the period, the fund had a yield to maturity (YTM) of 3.81% and a modified duration of 4.56, compared to 3.81% and 4.49, respectively, for its benchmark.

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