

Santander GO Short Duration Dollar

4 / 2022

Fund commentary

At the end of April, the Santander account had a duration of 0.51yrs, a spread duration of 0.60yrs, and a reporting yield of 1.92%. The ICE BAML 1-3yr Corporate OAS was up 16bps to 86bps; the 2yr UST traded in a range of 2.33-2.71%, ending the month at 2.71%.

The month brought about a slow grind of risk off sentiment. Stocks were down across the board driven by lower growth expectations. Active global monetary tightening (barring China), shutdowns across China, and the ongoing conflict in Ukraine were the predominant drivers. This filtered over into credit spreads as we experienced a steady move wider throughout the month. On the rates side, we backed up in the front end through the first half of the month before giving some of that back due to the reasons mentioned above. Further hawkish rhetoric from central banks, including from Chair Powell, led to the rebound higher once more. Markets ended the month pricing in an additional 250bps of hikes for the year, with 50bp hikes over the next 4 meetings. Once again we saw an elevated CPI print of 8.5%, continuing the recent 'hot' trend.

With current market pricing, all-in yields for front end bonds are looking more attractive. We are becoming more comfortable with duration and will look to selectively add in the 12-18month part of the fixed rate curve when we see opportunities. We expect a 50bp hike this month, as well as at the next two meetings. We are still cautious with regards to inflationary pressures. The situation in Ukraine and supply chain issues on the back of further COVID lockdowns in China are preventing us from extending duration too far.

In terms of positioning, at current levels we will selectively add in the 12-18month part of the fixed rate curve, as well as taking advantage of any cheap short A-2/P-2 paper. If we see some attractive new issues in the 2-3yr space, we may also look to add based on how the return profile looks across various scenarios.

Some trades to highlight over April:

Buy 3NC2yr Bank of America new issue fixed rate

Buy 18mo Entergy fixed rate

Buy 18mo Huntington Bank fixed rate

Buy 15mo BFCM fixed rate

Buy 1yr HSBC floater

Buy 1yr Mizuho fixed rate

This document is intended to provide information that summarizes the main characteristics of the product and under no circumstances constitutes a contractual agreement, a recommendation, personalized advice, an offer or solicitation. It is recommended that the KIID (Key Investor Information Document) is consulted before taking any investment decision, subscribing or purchasing shares or redeeming investments and the countries where the product is registered for sale: www.santanderassetmanagement.com or via authorised intermediaries in your country of residence. It has not been proven that the data contained in this document meet marketing requirements of all countries of sale as it is an information and not a marketing document. This shares of this product may not be directly or indirectly offered or sold in the United States of America or to or for the benefit of a United States Person.

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

For product information, please contact SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg) Management Company under the supervision of Commission de Surveillance du Secteur Financier (CSSF). The Depositary entity and administrator of the funds is JP Morgan Bank Luxembourg S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

Investment in mutual funds or other financial products mentioned herein may be subject to investment risks: market risk, credit risk, issuer and counterparty risk, liquidity risk, foreign currency risk and, where applicable, risks pertaining to emerging markets. Additionally, if funds hold their investments in hedge funds, assets, real estate funds, commodities and private equity, it should be noted that these can be subject to valuation and operational risks inherent in these type of assets and markets as well as the risk of fraud or risk derived from investing in unregulated or unsupervised markets or unlisted assets.

Past performance is not indicative of future results. Returns are calculated on a net asset value basis, net of fees and are annualized for periods longer than one year.

It should be clearly understood that any mention of tax depends on the individual circumstances of each investor and may change in the future. It is advisable to seek personalized advice regarding this. The distributor and other financial intermediaries may receive up to 85% of the fund management fee without incurring any additional cost to the customer.

Accounting or market information included in this document has been compiled from sources which SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. considers reliable but has not confirmed or checked for accuracy or completeness. SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. assumes no responsibility for any use of the information contained herein.

© Santander Asset Management Luxembourg S.A., All Rights Reserved.

This document is intended to provide information that summarizes the main characteristics of the product and under no circumstances constitutes a contractual agreement, a recommendation, personalized advice, an offer or solicitation. It is recommended that the KIID (Key Investor Information Document) is consulted before taking any investment decision, subscribing or purchasing shares or redeeming investments and the countries where the product is registered for sale: www.santanderassetmanagement.com or via authorised intermediaries in your country of residence. It has not been proven that the data contained in this document meet marketing requirements of all countries of sale as it is an information and not a marketing document. This shares of this product may not be directly or indirectly offered or sold in the United States of America or to or for the benefit of a United States Person.

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

For product information, please contact SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg) Management Company under the supervision of Commission de Surveillance du Secteur Financier (CSSF). The Depositary entity and administrator of the funds is JP Morgan Bank Luxembourg S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

Investment in mutual funds or other financial products mentioned herein may be subject to investment risks: market risk, credit risk, issuer and counterparty risk, liquidity risk, foreign currency risk and, where applicable, risks pertaining to emerging markets. Additionally, if funds hold their investments in hedge funds, assets, real estate funds, commodities and private equity, it should be noted that these can be subject to valuation and operational risks inherent in these type of assets and markets as well as the risk of fraud or risk derived from investing in unregulated or unsupervised markets or unlisted assets.

Past performance is not indicative of future results. Returns are calculated on a net asset value basis, net of fees and are annualized for periods longer than one year.

It should be clearly understood that any mention of tax depends on the individual circumstances of each investor and may change in the future. It is advisable to seek personalized advice regarding this. The distributor and other financial intermediaries may receive up to 85% of the fund management fee without incurring any additional cost to the customer.

Accounting or market information included in this document has been compiled from sources which SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. considers reliable but has not confirmed or checked for accuracy or completeness. SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. assumes no responsibility for any use of the information contained herein.

© Santander Asset Management Luxembourg S.A., All Rights Reserved..