

Santander Corporate Coupon

1 / 2025

Fund commentary

The year started with a positive tone for risk markets, with S&P 500 up by 2.7% and SXXP 600 by 6.29%. On the other hand, we saw rate markets go up in Europe and mostly stable to slightly lower in the US.

January was a month of central bank meetings, with the ECB cutting their respective reference rates by 0.25%, leaving the deposit rate at 2.75%. Lagarde expects inflation to stabilize close to 2% during the year, due to wage moderation although it sees risks to growth (the 4Q GDP level at 0% wasn't good for the Eurozone), that in time should moderate as the effects of the restrictive policy start to impact real wages and improve demand.

The day before, the FED maintained its reference rate stable 4.25%-4.50%, in a unanimous vote after 3 consecutive cuts over the past meetings. The press conference could be seen as hawkish, given that they removed the phrase that inflation is moving towards its goal, confirmed that the labor market is solid with a stable unemployment rate and Powell stating that there is no hurry to keep adjusting monetary policy.

As for credit markets, they enjoyed a good start of the year with positive return on the back of lower rates, but with spreads remaining stable at 82bps. The 1 to 5 years where the fund is focused behaved somewhat better, tightening by 3bps down to 59bps. In terms of sectors, with exception of Utilities and Basic Industries that widened, all tightened in line with the index. The HY market, outperformed with 24bps of tightening down to 268bps

As usual for January and after a drought in December, the primary market was quite active, with close to \$187Bln being printed and new issue premiums that became scarcer as the month developed. The Financial segment was the most active with \$120Bln printed and in terms of maturities \$70Bln were printed below the 5 year maturity.

As for the fund, like the market it enjoyed positive performance over the last month, slightly outperforming its benchmark. The outperformance came mainly from financials, where the fund is OW and, a sector that should prove more immune to tariffs. In terms of curve, the fund did well in the 0-1 year benefitting from the higher carry position in the short end and in the 3-to-5-year bucket. The fund was active in primary market, adding positions in names such as, GM and Ford, Santander UK, BFCM or Goldman Sachs.

The fund ended the period with a YTM of 5% and modified duration of 2.57 vs the benchmark's 4.91% YTM and 2.6 years of duration.

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For product information, please contact Santander Asset Management Luxembourg S.A. (43, Avenue John F. Kennedy L-1855 Luxembourg - Grand Duchy of Luxembourg), management company of the UCITS under the supervision of the Commission de Surveillance du Secteur Financier (CSSF). The depositary and administrator of the UCITS is JP Morgan SE, Luxembourg Branch (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

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