

Santander AM Euro Corporate Bond

4 / 2026

Fund commentary

April was marked by continued geopolitical uncertainty, elevated energy price volatility and ongoing adjustments in monetary policy expectations. The conflict in the Middle East, particularly around the Strait of Hormuz, remained a key driver of sentiment, contributing to higher inflation concerns and reduced macro visibility.

Market conditions were volatile in the first half of the month, as energy prices surged and central banks maintained a cautious tone. Sentiment improved into month-end, supported by intermittent ceasefire developments and a gradual normalization in risk appetite.

In the US, the Federal Reserve kept rates unchanged, maintaining a data-dependent stance amid mixed growth signals and persistent inflation pressures. Markets shifted toward a higher-for-longer policy outlook, with reduced expectations for near-term rate cuts. In Europe, the ECB also held rates steady, while emphasizing the balance between rising inflation risks and a weakening growth backdrop. Economic data softened over the month, reinforcing a cautious policy stance.

Government bond markets experienced significant volatility. Yields rose sharply early in the month, particularly in the front end, driven by repricing of inflation and rate expectations. As tensions eased, yields stabilized, though remained at elevated levels.

Credit markets rebounded strongly. Euro investment grade spreads tightened materially, down by 15bps, reversing much of March's widening and moving back toward tighter year-to-date levels (80bps). Performance was broad-based, with stronger gains in lower-rated and previously underperforming sectors such as Real Estate, Autos and Financials, while defensive sectors also participated. The periphery slightly lagged being more exposed to defensive sectors such as Utilities.

European high yield outperformed, supported by improved risk appetite. CDS indices also tightened, reflecting the recovery in sentiment.

Primary market activity remained robust, particularly during periods of improved market stability. Issuance was strong across both financial and corporate sectors, supported by renewed investor demand and attractive all-in yields. While activity slowed temporarily during episodes of volatility, new issues were generally well absorbed.

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From a flow perspective, after the outflows observed toward the end of March and early April—particularly in Euro investment grade funds, with notable withdrawals in short- and intermediate-duration segments—investor demand recovered as the month progressed, supported by improving sentiment and the tightening in spreads. Overall, flows remained somewhat mixed but showed signs of stabilization toward month-end, reinforcing the constructive technical backdrop for the asset class.

The fund delivered a positive return, driven primarily by slightly lower interest rates and tighter credit spreads. All sectors contributed positively, with Banking and Utilities as the main contributors. On a relative basis, the fund underperformed 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 3.65% and a modified duration of 4.63, compared to 3.68% and 4.49, respectively, for its benchmark.

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