

Santander Corporate Coupon

4 / 2025

Fund commentary

The month was marked by the Trump announcement of new tariffs on April 2nd (Liberation Day), resulting in tariff levels not seen in a century. These tariffs will be applied broadly to almost every country, including a reciprocal 10% baseline tariff and significantly higher tariffs for other countries (e.g., 20% for the EU). There were responses from several countries, mainly China, leading to increased tariffs (up to 145%) and retaliatory measures, escalating into a trade conflict. Eventually, some de-escalation occurred for certain products, which improved sentiment. The 90-day pause (excluding China), positive negotiation signs, and retracting remarks about Powell's destitution allowed markets to recover much of their losses in the last two weeks of the month.

Equity markets saw the S&P500 decrease by 0.76% and the SXXP by 1.21%. Crude Oil fell 18.56% to \$58.21, while Gold increased by 5.27%. The US 10-year Treasury remained steady at 4.16%, but the German 10-year bond dropped to 2.44%. Short-term rates showed sharper declines, with the US 2-year Treasury down to 3.6% (-0.28%) and the German 2-year bond down to 1.69% (-0.36%), indicating expectations for more central bank cuts.

During the month, the ECB meeting on April 17th resulted in a 25bps rate reduction. The deposit rate is now 2.25%, and the market is close to considering a 1.5% level as a possibility towards the end of the year. As for the FED, no meeting occurred with Powell concerned about the impact that tariffs could have on inflation, and there is a need to keep inflation contained. The market is pricing around 3 cuts until year end.

In terms of Macro data, we've seen deterioration of consumer and business confidence in the US, and 1Q GDP number of -0.3% qoq that denotes the increase in imports in anticipation of tariffs. In the EU, the 1Q GDP number was +0.4% qoq, positively surprising (0.2% expected) and above what fundamentals and business confidence were indicating.

As for credit markets, US IG spreads widened by 12bps to 109bps vs Euro IG spreads that widened by 16bps to 110bps. The 1-to-5-year segment widened by 14bps to 82bps but recovered from intra-month highs of 99bps. The sectors most affected were Autos, widening by 27bps and Leisure widening by 29bps, while defensive sectors such as Healthcare or Retail widened only by 9/10bps. US HY widened by 39bps to 394bps (+102bps YTD). The primary market volumes were slow in the first couple of weeks but recovered towards mid-month (with higher quality and lower maturities) with volumes in line with April of last year. We also witnessed an increase of US issuers in Euro market.

As for the fund it enjoyed positive returns, mostly driven by the rate component that more than compensated for the widening of spreads. The fund outperformed its benchmark, given its positioning for higher carry and less exposure to

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credit, especially in the 3-5y maturity buckets. In terms of changes, the fund activity was subdued throughout the month, adding a couple of financials in the end of the month, when markets started to stabilize. We hope to use primary market reopening to add exposure to credit during May.

The fund ended the month with a YTM 4.68% and duration of 2.60 years vs the benchmark's 4.69% YTM and 2.70 years of duration.

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