

Santander Corporate Coupon

1 / 2026

Fund commentary

The month of January was shaped by elevated geopolitical uncertainty, heavy issuance in both sovereign and corporate bond markets, and ongoing adjustments in central bank expectations. Market performance was driven primarily by changes in risk sentiment and interest-rate volatility rather than any deterioration in underlying fundamentals. After a volatile start to the year, risk appetite gradually improved toward month-end, supported by strong demand in primary markets and resilient economic data.

In the US, the Federal Reserve kept interest rates unchanged, signaling greater confidence in growth and labor market conditions while acknowledging that inflation remains above target. During the month, President Trump nominated Kevin Warsh to lead the Federal Reserve, a development that has attracted market attention given his previous policy views. Economic data were mixed: activity indicators pointed to moderate growth, employment showed signs of gradual cooling, and inflation readings remained difficult to interpret due to temporary distortions. Overall, markets continued to price a gradual easing cycle, though with some moderation in expectations compared to earlier months.

In Europe, the ECB maintained a patient stance, emphasizing that inflation risks remain contained while growth is increasingly exposed to external uncertainty. The next ECB meeting is scheduled for the first week of February, and no changes to the current policy are expected. Early in the month, macro data were supportive, particularly in Spain, where growth expectations were revised higher by international institutions. As the month progressed, survey data softened somewhat, suggesting a moderation in momentum rather than a sharp slowdown. German growth data showed tentative signs of stabilization, while political developments in France and fiscal uncertainty in Japan contributed to periods of higher volatility.

Credit markets delivered a constructive performance in January, supported by very strong primary market activity and robust investor demand. US IG spreads tightened over the month by 4bps, down to 75bps, while the 1-5y maturity tightened by 6bps down to 52bps. In terms of ratings BBB's outperformed higher rated but higher-beta segments such as High Yield underperformed and widened by 7bps, showing greater sensitivity to shifts in risk sentiment.

Fund flows were supportive overall, particularly in US and European investment grade credit, reinforcing the technical backdrop for the asset class. Despite geopolitical risks and central bank uncertainty, January highlighted the resilience of credit markets, supported by solid fundamentals, active issuance and sustained investor demand.

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As for the fund, it enjoyed positive returns similar to its benchmark benefiting from the tightening of spreads during the month. It slightly underperformed, given that its allocation is more focused on the short end (0 to 3 years) and not benefiting as much from the tightening of spreads in the 3-to-5-year bucket. With spreads at minimum levels, the positioning is more conservative. The Fund took advantage of the primary market, to add some new issues that fitted in terms of maturity such as AT&T, IBM, JP Morgan, Goldman Sachs, among others. It ended the period with a YTM 4.40% of and duration of 2.58 years, that compares to the benchmark 4.27% and 2.64 years of duration.

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