Santander Asset Management

Santander Corporate Coupon

Marketing Communication

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 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, particularly as energy prices surged and central banks maintained a cautious tone. However, sentiment improved into month-end, supported by easing geopolitical tensions and a gradual recovery in risk appetite.

In the US, the Federal Reserve kept rates unchanged, maintaining a data-dependent stance amid mixed macroeconomic signals. Inflation remained influenced by higher energy prices, while lab our market data continued to show mixed trends. Markets shifted toward a higher-for-longer policy outlook, with expectations for rate cuts pushed further out and, in some cases, the possibility of further tightening being considered. Treasury yields moved modestly higher over the month, reflecting this repricing.

In Europe, the ECB also left rates unchanged, maintaining a cautious but relatively hawkish tone. Policymakers highlighted the risk of second-round inflation effects stemming from energy prices, while acknowledging a weakening growth backdrop. Market expectations continued to reflect a prolonged period of restrictive policy, reinforcing the global repricing in rates and contributing to volatility across fixed income markets.

US credit markets delivered a solid recovery. Investment grade spreads tightened over the month, reversing part of the widening seen in March and supporting positive total returns despite higher underlying yields. The tightening was broad-based, with stronger performance in lower-rated segments and sectors that had previously underperformed.

Within this context, the 1–5-year segment showed a more balanced performance profile. While spread tightening in the front end was somewhat more moderate, with 7bps tightening down to 60bps, compared with the overall US IG market that tightened by 9bps down to 80bps, but the shorter duration profile helped mitigate the impact of higher Treasury yields. As a result, total returns in the 1–5-year bucket were comparatively more stable, highlighting the defensive characteristics in an environment of elevated rate volatility. Sector performance followed a similar pattern, with cyclical sectors benefiting from the improvement in sentiment, while defensive sectors continued to provide stability. Fundamentals in the short-dated investment grade universe remain solid, supported by strong balance sheets and limited near-term refinancing needs.

Primary market activity remained robust, with strong issuance across financials and corporates. Demand for shorter-dated, high-quality paper was well supported, particularly from investors seeking attractive carry with lower duration risk. While issuance windows were at times influenced by market volatility, transactions were generally well absorbed.

As for the Fund, it benefited from the recovery in sentiment in markets, delivering positive returns over the month. The returns were mainly driven by spread tightening and carry with rates range bounding. The fund enjoyed a similar performance to its benchmark. During the month, we added some new issues with the reopening of the market with names such as Bank of America or Prologis in real Estate. We also sold some names offering less value to fund the additions. The fund ended the month with a YTW of 4.60% and duration of 2.7 years, mostly in line with the market.