

Santander Corporate Coupon

10 / 2025

Fund commentary

The month was marked by significant geopolitical events, central bank decisions, and notable shifts in government bond yields. While the first three weeks saw a mix of stability and volatility driven by international developments, the fourth week stood out for major progress in US-China trade negotiations and key central bank meetings.

This translated to rising equities, with S&P 500 up by 2.27% and SXXP 600 up by 2.46% both marking new intramonth all-time highs, lower bond yields with both the US 10 year (4.08%) and Bund 10 year (2.63%) down by -0.07% and -0.08% respectively, the US 2 year down by -0.03% to 3.57% and the German 2 year down by 0.05% to 1.96%.

Trade tensions were a recurring theme, particularly between the US and China. The US threatened significant tariffs in response to Chinese export controls, and both sides engaged in high-stakes negotiations. These tensions, along with concerns about US regional banks and inflationary pressures from tariffs, led to periods of declining bond yields and cautious economic outlooks. Still, in the final week of the month there were some breakthroughs and de-escalation that provided some relief.

The main central banks had their meetings in the last week of the month. The FED cut its policy rate by 25 bps for the second consecutive meeting, bringing it to 3.75–4.00%. While there was internal disagreement about the size and necessity of the cut, the Fed also announced an end to its balance sheet reduction program, signaling a shift toward a more accommodative stance. The ECB kept rates unchanged as expected at 2% but noted reduced growth risks and better-than-expected GDP growth and the Bank of England maintained a wait-and-see stance amid persistent economic uncertainty.

As for credit markets, we had some initial widening in the first half of the month affected by the above-mentioned trade concerns, with the US government shutdown not helping find direction. US credit spreads (1-5y) then recovered after reaching 58bps down to 53bps to end the month at 57bps (+3bps MoM). In terms of primary, YTD volumes stand close to \$1.400Bln, after \$132Bln issued over the month, with stronger focus on long end, while the 1-5y where the fund is focused enjoying only \$28Bln, but with good bid/covers. Issuance was predominant in financials (after reporting), but also telecommunications. The inflows into IG continue strong both for Euro and USD funds, although we saw some weakness in US HY during the month, a reflection of risk aversion in private credit, after some idiosyncratic fraud cases.

As for the fund, it benefited from lower rates throughout the month that more than compensated for the widening of credit spreads, leading to positive returns over the month. The performance of the fund was slightly worse, with the

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carry position in the short end not fully compensating for the movement from the 3-5y bucket. In terms of sectors, the Financials outperformed, but again not enough to offset non-financials outperformance. The fund was active in primary market, adding some new issues of names such as McDonalds, JP Morgan, Goldman Sachs, Sanofi or General Motors. At the end of the period, the fund had a yield to maturity (YTM) of 4.45% and a modified duration of 2.66, compared to 4.38% and 2.71, respectively, for its benchmark.

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