Santander Select Income

2 / 2023

Fund commentary

During the month of February, we have seen how the pull experienced by the markets since the beginning of the year has been losing momentum as Central Banks resumed the rhetoric of continuing with their restrictive monetary policy. Together with data showing inflation that refuses to ease and the persistent geopolitical tension (the Russia/Ukraine conflict is joined by US/China tension), the dollar acted as a safe haven, penalizing the performance of emerging markets, where the greatest setbacks have occurred. Despite all this, the European index Eurostoxx50 managed to end the month in positive space +2% compared to the US SP500 -2.6%, and the performance of the Ibex stood out with +4%. We have seen the most volatility in Fixed Income, in the heat of the afore mentioned comments from the Central Banks, with new rate hikes this year and the delay in the start of future rate cuts being discounted. On the commodities side, generalized falls, although Natural Gas, which for a good part of the month had been maintaining the cuts, began to recover in the last part of the month.

The fund failed to close the month in positive territory, affected by the increasing volatility in the fixed income market and the poor performance of the equity markets. The most defensive assets in the portfolio, such as government and investment grade corporate bonds, were the biggest detractors of performance. Inflation-protective assets also failed to contribute on the whole although inflation-linked bonds rebounded slightly over the month, mainly because gold fell sharply from the highs set in January. The more equity-directed assets managed to close the month in positive territory, helped by the good performance of dividend futures and private markets strategies.

Contrary to what happened in January, the model reduced the weight of the most directional assets in the stock market, mainly through the Dividend strategy, and again reduced the strategies in global equity factors. Despite the moderate reduction in corporate fixed income assets, the Income sub-fund regained exposure across the board, through the position in core and peripheral governments. Inflation-protective assets and arbitrage strategies lost some weight during the period.