

Santander GO Dynamic Bond

10 / 2024

Fund commentary

Performance:

Santander GO DBF returned -0.43% in the month of October.

October was a volatile month for risk assets, with both equity and bond markets declining amid solid macro data and uncertainty surrounding the US election. In the US, labor markets added 223,000 jobs in September, surpassing expectations, while annual inflation rose slightly to 2.4%. Treasury yields increased due to the resilience of the US economy and concerns about post-election policy changes, while UK gilts faced pressure from a budget announcement indicating higher spending for 2025. In credit, both USD and Euro investment grade spreads tightened by 5bps and 11bps, respectively, while high yield spreads also narrowed, indicating a modest improvement in credit market sentiment despite the overall market volatility. Despite stronger economic data, the S&P 500 fell by 0.9%, while Japanese stocks performed well, with the Nikkei 225 rising by 3.1%.

Top Contributors:

- Short exposure to select EM Asia currencies, as they depreciated against the USD
- Holdings of IG and HY credit, amidst spread tightening

Top Detractors:

- Long exposure to US and UK Duration, as yields rose
- Long exposure to EM local rates, as yields rose

Positioning and Outlook:

Main changes over the month:

We increased duration via US and UK and slightly decreased spread via IG and non-agency MBS.

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Duration:

Total portfolio duration stands at 3.72 yrs and is the result of exposures in the U.S. (2.23 yrs), UK (0.72 yrs) and EM (0.35 yrs).

Spread:

Total portfolio market weighted spread duration stands at 3.82 yrs, mostly focused on IG corporates (1.38 yrs) and to a lesser extent HY (0.30 yrs) and EM (0.33 yrs). Also have exposure to non-agencies (1.27 yrs).

Currency:

The fund is currently long EM currencies such as the Brazilian Real, the Mexican peso and the South African Rand. The portfolio has short positions in some DM currencies such as the Australian and Canadian Dollar.

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