

Santander GO Dynamic Bond

12 / 2023

Fund commentary

Performance:

Santander GO DBF returned 2.31% in the month of December.

December saw a continuation of the November rally as markets embraced the narrative that central banks would cut interest rates in 2024, and perhaps sooner and to a larger magnitude than previously expected. In this context, government bond yields continued their downward streak from November, as they rallied significantly over the month. In credit, both HY and IG spreads tightened both in the US and Europe. Additionally, inflation broadly trended lower across major developed economies. Lastly, equity markets finished the year strongly bouncing back from poor performance in 2022.

Top Contributors:

- Long exposure to US and AUD duration, as yields fell.
- Holdings of US Agency MBS, as spreads tightened.
- Holdings of investment grade and high yield corporate credit, as spreads tightened.

Top Detractors:

- Long exposure to US TIPS, as breakeven inflation levels fell.
- Short exposure to Polish local rates, as yields fell.

Position and Outlook:

Main changes over the month:

Decreased duration via in the U.S. and added TIPS duration. Decreased spread especially via High Yield.

Duration:

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Total portfolio duration stands at 1.97 yrs and is the result of long exposures in the U.S. (1.49 yrs), Europe (-0.01 yrs) and EM (0.03 yrs).

Spread:

Total portfolio market weighted spread duration stands at 5.37 yrs, mostly focused on IG corporates (2.07 yrs) and to a lesser extent HY (0.62 yrs) and EM (0.50 yrs). Also have exposure to non-agencies (1.71 yrs).

Currency:

The fund is currently long the Australian Dollar and Japanese Yen and EM currencies such as the Brazilian Real and the Hungarian Forint. The portfolio has short positions in some DM currencies such as the EUR and CAD.

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