

Santander GO Dynamic Bond

9 / 2024

Fund commentary

Performance:

Santander GO DBF returned 1.29% in the month of September.

In September, fixed income markets demonstrated resilience, with major sovereign bonds posting gains, particularly on the shorter end, as the U.S. and Europe implemented significant rate cuts. The normalization of yield curves, evidenced by the 2s10s spread returning to positive territory, reflects a market adjusting to the Federal Reserve's half-point rate cut aimed at managing unemployment risks as inflation eases. In Europe, the European Central Bank followed suit with a quarter-point cut in response to sluggish economic growth and declining inflation rates. Overall, the third quarter concluded strongly for bonds, with developed market rates significantly lower than in June, indicating a favorable environment for fixed income investors. Equity markets experienced gains in September, led by a 2.5% increase in the Nasdaq, although performance was notably stronger in Asia, where Hong Kong and China equities surged nearly 18% due to renewed stimulus measures from Beijing.

Top Contributors:

- Exposure to US Duration, as yields fell
- Exposure to select EM local rates, as yields fell

Top Detractors:

- Short exposure to select EM Asia currencies, as they appreciated against the USD

Main changes over the month:

We reduced duration via US and slightly decreased spread via HY.

Duration:

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Total portfolio duration stands at 1.65 yrs and is the result of exposures in the U.S. (0.74 yrs), Japan (-0.18 yrs) and EM (0.37 yrs).

Spread:

Total portfolio market weighted spread duration stands at 3.96 yrs, mostly focused on IG corporates (1.52 yrs) and to a lesser extent HY (0.31 yrs) and EM (0.33yrs). Also have exposure to non-agencies (1.42 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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