

Santander GO Dynamic Bond

1 / 2025

Fund commentary

Performance:

Santander GO DBF returned 0.82% in the month of January. As January unfolded, global sovereign bonds experienced volatility, starting on uncertain footing due to strong labor markets and inflation fears, which delayed anticipated rate cuts. In the U.S., a robust jobs report initially pushed Treasury yields higher, but they later eased as inflation figures showed a decline, with the 10-year yield hitting 4.8% and the 30-year nearly 5%. UK Gilts mirrored this pattern, with yields rising sharply before rebounding to end the month positively. Meanwhile, European and Japanese bonds struggled, with the ECB cutting rates amid inflation concerns and Japan maintaining a hawkish stance due to accelerating inflation, resulting in a 17-year high policy rate. In the credit markets, spreads widened initially due to heightened risk aversion but narrowed towards the end of the month as investor sentiment improved with easing inflation concerns. On the equities front, while Nvidia faced significant losses due to developments in the AI sector, the broader market, including the S&P 500, managed to post gains, with European stocks leading the charge despite economic challenges.

Top Contributors:

- Holdings of US Agency MBS, through carry
- Exposure to US Inflation-linked bonds as breakeven inflation rose
- Exposure to corporate credit (IG & HY), as spreads narrowed

Top Detractors:

- Short exposure to select EM FX, such as KRW, as it appreciated against the USD
- Exposure to Australian duration, as yields rose

Positioning and Outlook:

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Main changes over the month:

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

Duration:

Total portfolio duration stands at 4.03 yrs and is the result of exposures in the U.S. (2.43 yrs), UK (0.71 yrs) and EM (0.49 yrs).

Spread:

Total portfolio market weighted spread duration stands at 4.09 yrs, mostly focused on IG corporates (1.58 yrs) and to a lesser extent HY (0.36 yrs) and EM (0.33 yrs). Also have exposure to non-agencies (1.47 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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