

Santander Go Global High Yield Bond

6 / 2022

Fund commentary

Outlook

- The noticeable development for leveraged finance markets in the second quarter of 2022 was the increase in 'spread premia' being priced into lower-rated high-yield (HY) and loan issuers.
- The best scenario for the HY universe would be a period of stabilisation in which the macroeconomic headwinds ease and corporate fundamentals marginally weaken, providing investors with a window of opportunity to benefit from the higher yields and spreads on offer.
- The bearish scenario would be a continuation of the recent decompression rally, with a more material sell-off if we move into a global recession. This would mean much higher default rates than our current base case and what is currently priced across most credit markets.
- Across most strategies, we are positioned to out-carry, with a higher yield-to-worst than the index, have an underweight bias to interest-rate duration and a moderate overweight from a beta-adjusted spread duration perspective.
- We have reduced our exposure to CCC & below rated credits in the last two months while also aiming to reduce the overweight in single-B credits and to add more BB rated credits when opportunities to rebalance present themselves.
- In terms of regional exposure, we prefer the US relative to Europe while running an underweight bias to EMs

Contributors

- Underweight positioning in the cyclical sectors was a key driver of excess returns, driven by underweight positioning across the automotive, leisure and real estate sectors. Within the automotive sector, an underweight position in Ford Motor Company was the top contributor. Absolute underweight exposure to cruise company Carnival Corp was the top contributor in the leisure sector. The accelerated tightening of financial conditions led to the underperformance of the real estate sector.
- Despite the outperformance of higher-rated credit, solid credit selection in B and CCC & below rated credits across the portfolio ensured that rating allocation did not detract from performance.
- Underweight exposure to emerging-market (EM) credits was additive to performance, driven by absolute underweight positioning to both the real estate and basic industry sectors.

Detractors

This document is intended to provide information that summarizes the main characteristics of the product and under no circumstances constitutes a contractual agreement, a recommendation, personalized advice, an offer or solicitation. It is recommended that the KIID (Key Investor Information Document) is consulted before taking any investment decision, subscribing or purchasing shares or redeeming investments and the countries where the product is registered for sale: www.santanderassetmanagement.com or via authorised intermediaries in your country of residence. It has not been proven that the data contained in this document meet marketing requirements of all countries of sale as it is an information and not a marketing document. This shares of this product may not be directly or indirectly offered or sold in the United States of America or to or for the benefit of a United States Person.

This fund has a prospectus which is drafted in English and can be obtained from www.santanderassetmanagement.com

For product information, please contact SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg) Management Company under the supervision of Commission de Surveillance du Secteur Financier (CSSF). The Depositary entity and administrator of the funds is JP Morgan Bank Luxembourg S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

Investment in mutual funds or other financial products mentioned herein may be subject to investment risks: market risk, credit risk, issuer and counterparty risk, liquidity risk, foreign currency risk and, where applicable, risks pertaining to emerging markets. Additionally, if funds hold their investments in hedge funds, assets, real estate funds, commodities and private equity, it should be noted that these can be subject to valuation and operational risks inherent in these type of assets and markets as well as the risk of fraud or risk derived from investing in unregulated or unsupervised markets or unlisted assets.

Past performance is not indicative of future results. Returns are calculated on a net asset value basis, net of fees and are annualized for periods longer than one year.

It should be clearly understood that any mention of tax depends on the individual circumstances of each investor and may change in the future. It is advisable to seek personalized advice regarding this. The distributor and other financial intermediaries may receive up to 85% of the fund management fee without incurring any additional cost to the customer.

Accounting or market information included in this document has been compiled from sources which SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. considers reliable but has not confirmed or checked for accuracy or completeness. SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. assumes no responsibility for any use of the information contained herein.

© Santander Asset Management Luxembourg S.A., All Rights Reserved.

- Overweight allocation to the energy sector detracted from performance, with exposure to Pemex and Kosmos Energy the top single-name detractors.
- Weaker credit selection in European credits detracted. Underperformance was driven by positioning in European banks, with Deutsche Bank, UniCredit and Intesa Sanpaolo the top detractors.

This document is intended to provide information that summarizes the main characteristics of the product and under no circumstances constitutes a contractual agreement, a recommendation, personalized advice, an offer or solicitation. It is recommended that the KIID (Key Investor Information Document) is consulted before taking any investment decision, subscribing or purchasing shares or redeeming investments and the countries where the product is registered for sale: www.santanderassetmanagement.com or via authorised intermediaries in your country of residence. It has not been proven that the data contained in this document meet marketing requirements of all countries of sale as it is an information and not a marketing document. This shares of this product may not be directly or indirectly offered or sold in the United States of America or to or for the benefit of a United States Person.

This fund has a prospectus which is drafted in English and can be obtained from www.santanderassetmanagement.com

For product information, please contact SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg) Management Company under the supervision of Commission de Surveillance du Secteur Financier (CSSF). The Depositary entity and administrator of the funds is JP Morgan Bank Luxembourg S.A. (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

Investment in mutual funds or other financial products mentioned herein may be subject to investment risks: market risk, credit risk, issuer and counterparty risk, liquidity risk, foreign currency risk and, where applicable, risks pertaining to emerging markets. Additionally, if funds hold their investments in hedge funds, assets, real estate funds, commodities and private equity, it should be noted that these can be subject to valuation and operational risks inherent in these type of assets and markets as well as the risk of fraud or risk derived from investing in unregulated or unsupervised markets or unlisted assets.

Past performance is not indicative of future results. Returns are calculated on a net asset value basis, net of fees and are annualized for periods longer than one year.

It should be clearly understood that any mention of tax depends on the individual circumstances of each investor and may change in the future. It is advisable to seek personalized advice regarding this. The distributor and other financial intermediaries may receive up to 85% of the fund management fee without incurring any additional cost to the customer.

Accounting or market information included in this document has been compiled from sources which SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. considers reliable but has not confirmed or checked for accuracy or completeness. SANTANDER ASSET MANAGEMENT LUXEMBOURG S.A. assumes no responsibility for any use of the information contained herein.

© Santander Asset Management Luxembourg S.A., All Rights Reserved..