The investment objective of the Sub-Fund is to offer a regular return over a period of 8 days, similar to the US monetary market, minus the management and administrative fees. The Sub-Fund will invest in debt securities and all sort of money market instruments, including deposits (normally denominated in USD without geographical limitations). Debt securities will include, amongst others, bonds, certificates, and commercial paper (fixed or variable rate). These securities are short term obligations issued or guaranteed by banks, corporations and governments (their central, regional or local authorities, their agencies or instrumentalities or other government related entities, a Central Bank and/or Supranational Institutions). The Sub-Fund may invest occasionally in “non-investment grade” debt securities with a limit of 10% as part of specific investment strategies.
The publication of GDP data showed a contraction for the second quarter of 2020 of -12.1% in the Euro Zone economy, in addition to the -3.6% contraction recorded in the first quarter. This fall far exceeds the ones which occurred in the past financial crisis. Meanwhile, US GDP contracted further, reflecting a quarterly decline of -32.9%.

In monetary policy, the focus was on the deal of the expected European Reconstruction Fund, after a long negotiation. The agreement finally amounted to 750 billion euros, 390 as of transfers and the remaining 360 billion was of loans. This, represents an important support for the especially affected economies by the health crisis and force them to implement reforms. The agreement brought significant debt relief to outlying countries, which saw their risk premiums fall, with the Italian sovereign curve being particularly favored.

The fixed-income market continued its trend of recovery and narrowing of credit spreads, which began in mid-March. The European investment-grade credit is now only 24 bp at pre-crisis levels. High yield credit, despite its notable improvement from March levels, is still around 150 bps from the levels at the beginning of the year, due to the higher risk of default associated with it.

The fund closed the month of July with a positive return of 0.09%, accumulating a return of +2.27% this year. The sectors with the best contribution to the fund were non-cyclical consumption, communications and sovereign curves, composed of US, Italian and Portuguese government debt. The portfolio's average rating is A, trying to avoid possible falling angels and any company with news that could generate instability in the current environment of high uncertainty.