Santander Asset Management

Santander Money Market EUR VNAV

Marketing Communication

12 / 2025

Fund commentary

Environment:

For the third consecutive time, the Fed has cut its rates by 0.25%. The situation of the American economy proves to be complex: inflation remains too high with upward risks, while downside risks for employment have increased in recent months with a rising unemployment rate and a slowdown in hiring. The Board is divided: 9 members voted for a 25bps cut, one for a 50bps cut, and 2 for a status quo. Furthermore, the Fed will again proceed with purchases of Treasury Bills ($40bn/month) to maintain an "ample" reserve level. Markets anticipate 2 additional cuts for 2026.

The ECB, for its part, kept its rates unchanged, citing firmer growth, inflation close to the target, but a deflationary risk that must not be underestimated. It also notes an unfavorable dynamic in the labor market as well as headwinds in the global environment (strong EUR, American protectionism, Chinese competition). Growth expectations are slightly up to 1.2% for 2026 and 1.4% for 2027 and 2028. Inflation expectations stand at 1.9% in 2026, 1.8% in 2027, and 2% in 2028. In this context, markets do not anticipate any rate moves by the ECB in the coming months.

Market:

The 2-year US rate increased significantly at the beginning of the month, rising from 3.45% to 3.62% in anticipation of the FOMC meeting before falling back to 3.47% by the end of the month. The 10-year rate, for its part, rose to 4.19% until the Fed meeting on December 10 before stabilizing.

The 2- and 10-year euro rates followed the same trajectory: rising before December 10 and then stabilizing. The 2-year rate thus moved from 2.06% to 2.13%, and the 10-year from 2.75% to 2.88%.

The €STR swap curve, which was slightly inverted at the beginning of the month, anticipating a potential ECB rate cut, flattened as the probability of this cut decreased. Thus, the various maturities show a rate close to 1.935%.

Bond credit spreads tightened: the 5-year Itraxx generic spread fell from 53.4 to 50.5. As for short-term issuance spreads, they widened slightly (between 1 and 3 basis points over the year).

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Santander Asset Management

Assets under management continued to grow, increasing from €2.98bn to €3.05bn.

The portfolio's WAM remained stable at 10 days. We continue to hedge only the longest maturities against interest rate risk.

The WAL, however, decreased from 159 to 137 days. As the year-end approaches, we have limited investments to prioritize liquidity in a very tight market.

Risk metrics :

Fund's WAM recorded 10 days and WAL 137.

Net Performance (I-share class – 360 basis) versus index:

	I-Share	€str compounded	Spread vs Index	
01/12/25 – 31/12/25	1.9993%		1.9308%	€str +0.068%
31/12/24 – 31/12/25	2.2829%		2.2356%	€str +0.047%

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