Santander Asset Management

Santander Select Defensive

10 / 2025

Fund commentary

October was another positive month for financial markets, with gains in both equities and fixed income. Throughout the month, several indices reached new all-time highs, including the S&P 500 and Nasdaq in the United States, the EuroStoxx 50 in the Eurozone, and the Nikkei in Japan. This momentum was supported by a strong third-quarter earnings season and the Federal Reserve's further interest rate cut at its October meeting. On the macroeconomic front, the partial US government shutdown prevented the release of some key data, such as third-quarter GDP and September employment figures. Nevertheless, indicators from private sources point to sustained growth and a moderate slowdown in the labor market. In the Eurozone, third-quarter GDP surprised slightly on the upside, increasing by 0.2% compared to the previous quarter. In fixed-income markets, the month was marked by a notable decline in yields and an increase in sovereign bond prices, driven by expectations of further interest rate cuts in the US. This movement moderated toward the end of the month, with the yield on the German two-year bond settling at 1.97% and the ten-year bond at 2.63%. In the currency market, the dollar appreciated 1.7% against the euro, closing the month at $1.1540/€.

Regarding equities, we closed the month with an exposure of 18.6%, representing a 1% increase compared to the previous close. The positive performance of the market, particularly in the US and Europe, led to greater participation in risk assets. In Europe, we implemented a new hedging strategy on the Stoxx Europe 600 and, additionally, a bullish option on the EuroStoxx 50, with the aim of optimizing the portfolio's risk profile.

On the fixed income side, the portfolio's duration increased slightly to close at 3.13 years, 0.04 years higher than the previous month. The portfolio continues to maintain a balanced structure between sovereign debt and corporate credit, both predominantly European, with solid performance given the stability in credit spreads. Additionally, we maintain exposure to high yield and, more tactically, a small exposure to US government debt, which contributes to geographical diversification and interest rate risk management.

Regarding currencies, exposure to the dollar stood at 9.6%, representing a 2.3% reduction compared to the previous month. This decrease is due to a tactical management decision, following the positive performance of the dollar during the month. This reduction in dollar exposure was achieved through the purchase of euro/dollar futures.