

Santander Select Defensive

1 / 2026

Fund commentary

In January, major equity markets and fixed-income indices posted gains. The month began with strong equity rallies, which were later followed by some profit-taking amid emerging geopolitical tensions. These episodes of volatility proved short-lived, as the tone of political statements softened. Investors focus then shifted toward the release of fourth-quarter 2025 corporate earnings, which so far have been reported with a constructive tone, supporting the upward trend in equity markets.

In fixed income, performance was mixed. In the United States, yields edged slightly higher as solid growth data were released, while the Federal Reserve left policy rates unchanged at its January meeting. In the euro area, yields remained at the upper end of their recent range, reflecting elevated sovereign issuance volumes and upside surprises in growth data, including a +0.3% quarter-on-quarter increase in Eurozone GDP in 4Q25. Credit markets continued to benefit from strong investor demand.

Commodity prices also rallied during the month, particularly precious metals. However, this advance gave way to sharp profit-taking on the final trading day of January, driven by a combination of technical factors and the nomination of Kevin Warsh as the successor to Jerome Powell as Chair of the Federal Reserve.

In currency markets, the US dollar depreciated by 0.9% against the euro.

Regarding portfolio positioning, the Fund closed the month with an equity exposure of 19.4%, slightly higher than in the previous month. This increase was broad-based across regions and largely reflected the stronger performance of equities relative to other asset classes. While we maintain a constructive view on the macroeconomic environment, we remain mindful of potential volatility. Accordingly, during the month we implemented a tactical hedging strategy on the S&P 500 to manage risk dynamically and ensure alignment with the Fund's conservative profile.

In fixed income, the portfolio's total duration stood at 3.19 years, broadly unchanged from the previous month. The portfolio remains well balanced, with a core allocation to European sovereign debt and European corporate credit, which provide stability. In addition, we retain exposure to high yield and a tactical position in US Treasuries as complementary sources of return. No significant changes were made to fixed-income exposures during the month.

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Finally, US dollar exposure declined slightly compared to the previous month. No active changes were made to currency positioning during the period, and the lower exposure was primarily driven by the underperformance of the US dollar over the month.

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