

Santander Select Defensive

8 / 2025

Fund commentary

August closed on a positive note in the markets, driven by solid U.S. corporate results, economic resilience, and diminished fears of the impact of tariffs on growth and inflation. With this situation, the S&P 500 reached new historical highs, adding +1.91% in the month, while in Europe the Stoxx Europe 600 advanced +0.74%.

In fixed income, US bonds took center stage, seeing a sharp drop in their yields thanks to two catalysts: the weakness shown by the employment data over the last three months and Jerome Powell's speech in Jackson Hole, which opened the door to return to rate cuts. As a result, the 2-year Treasury yield fell more than -30 bps to 3.62%, reflecting expectations that the Fed will cut -25 bps in September. On the Eurozone side, following the ECB's July signals that it does not foresee further cuts for now, yields moved sideways. The German two-year bond closed at 1.94%, and the market is practically pricing in no further rate cuts in 2025. On the political front, the French Prime Minister's decision to submit to a vote of confidence on September 8 generated tension in the markets, raising the country's risk premium. Meanwhile, investment-grade corporate credit once again stood out thanks to solid investor appetite. Regarding the foreign exchange market, the euro gained strength against the dollar up to the \$1.16/€ level.

In equities, we closed August with a 17.4% exposure, slightly higher than the previous month's close. The portfolio remained diversified across different regions, with a significant weighting in developed markets. The strategy during the month was one of continuity, reflecting a cautious attitude while awaiting greater visibility on the evolution of the global economy and upcoming inflation and growth indicators. This stance seeks to preserve the fund's flexibility, maintaining the ability to react in the event of significant changes in market sentiment.

In fixed income, the portfolio's duration stood at 3.07 years, in line with the previous month's close. The portfolio composition remained diversified, with government debt and European credit as the largest holdings, complemented by a smaller exposure to the high-yield segment. In addition, tactical exposure to US sovereign debt is maintained, which contributes without significantly altering the risk profile. The overall portfolio reflects a balanced approach, seeking stability in an environment of still-high interest rates and with some expectation of inflation moderation in the coming quarters.

In terms of currencies, exposure to the dollar stood at 11.8%, slightly higher than the previous month.

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