

Santander Select Defensive

3 / 2026

Fund commentary

March was marked by the conflict in the Middle East. Tensions in the Strait of Hormuz pushed energy prices higher, with Brent reaching \$118.4 per barrel. This led to broad declines across both equity and fixed income markets, intensifying throughout the month. The MSCI ACWI fell -7.4%, the Stoxx Europe 600 -8%, and the S&P 500 -5.09%. In fixed income, rising inflation expectations weighed on bond prices, pushing yields higher. This move was reinforced by messages from the Federal Reserve (Fed) and the ECB, both adopting a cautious tone in response to the energy shock. Market expectations adjusted accordingly: in the Eurozone, deposit rates are now priced at 2.50%–2.75%, while in the US, expectations of rate cuts have been removed. European IG credit spreads widened by +13 bps. In this environment, the US dollar acted as a safe-haven asset, appreciating to 1.1553 USD/EUR. In our view, the energy spike will have a temporary inflationary impact, without triggering second-round effects. We expect the global economy to remain in an expansion phase, albeit with slower growth than anticipated a month ago.

In equities, we closed the month with an exposure of 17.9%, approximately 1.8% below the previous month-end. This reduction was mainly concentrated in the US and Europe, in a market environment marked by increased volatility driven by geopolitical tensions. During the month, we tactically adjusted portfolio protection by extending one of the hedges to a longer maturity and wider range, while maintaining a neutral cost. Additionally, we implemented a short-term protection strategy on the EuroStoxx50 to manage portfolio risk during periods of heightened volatility.

In fixed income, the portfolio ended the month with a duration of 3.14 years, slightly higher than the previous month. We maintained balanced diversification across sovereign debt (both European and US) and European corporate credit, including exposure to higher-yielding segments.

Regarding currencies, USD exposure stood at 9.9%, slightly below the previous month. This movement was mainly driven by the evolution of USD-denominated assets rather than active allocation decisions.

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