Santander Asset Management

Marketing Communication

Santander Select Moderate

10 / 2026

Fund commentary

October ended with gains across Eurozone and US fixed income markets, while equities delivered a mixed performance, with European markets outperforming. Energy prices rose sharply, driven by a higher geopolitical risk premium in the Middle East, although supply levels remained unaffected. On the macroeconomic front, growth remained resilient on both sides of the Atlantic, while inflation continued to be influenced by energy prices, with no meaningful signs of second-round effects. Against this backdrop, both the Fed and the ECB kept interest rates unchanged and reiterated their data-dependent approach. In fixed income, yields declined broadly, particularly at the long end of the curve. France underperformed amid renewed concerns over its fiscal outlook, although contagion to peripheral markets remained limited. In European credit, spreads widened moderately despite continued investor appetite. In equities, a supportive earnings season was partly overshadowed by concerns over the technology sector's ability to generate adequate returns on its elevated investment levels, prompting some rotation into other sectors. European equities ended the month higher and outperformed the main US indices, which posted declines. Finally, the US dollar remained firm against the euro, with EUR/USD ending the month below 1.12.

In equities, we initially implemented a hedging strategy on the S&P 500 to partially protect the portfolio against potential episodes of volatility ahead of the US midterm elections. Later in the month, following the market decline, we added upside optionality to the same index to moderately increase exposure while keeping downside risk contained. From a regional perspective, we tactically reduced our exposure to Europe and reallocated the same amount to Japan. Together with the performance of US and emerging market equities during the period, these adjustments led to a lower overall equity allocation. We closed the month with an equity exposure of 43.6%, 0.8 percentage points below the previous month-end.

In fixed income, we closed the bullish optionality strategy on the 10-year US Treasury implemented in the previous month, locking in part of the accumulated gains, and re-established exposure through futures. Following the strong performance of the 10-year Treasury and against a backdrop of elevated volatility, we also reduced duration through option strategies on the same underlying. In Europe, we took advantage of high volatility levels to implement a zero-cost hedging strategy on the Bund, partially protecting the portfolio against potential corrections without incurring an upfront premium. As a result of these adjustments, we closed the month with an overall duration of 2.66 years, slightly below the previous month-end level.

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