

# Santander Select Defensive

6 / 2025

## Fund commentary

The US stock market during the month of June, continued to regain, driven by the easing of trade and geopolitical tensions, expectations of interest rate cuts by the Fed, and renewed optimism surrounding the development of AI. The S&P 500 ended the month up 5%, breaking its all-time high. In the Eurozone stock markets, the month ended with slight profit-taking and a -1.20% drop in the EuroStoxx 50. In the fixed-income markets, strong performance of investment-grade credit boosted by strong investor demand. In government bonds, the month ended with rising US government bond prices, and consequently falling yields, following a shift in investor expectations, which began to price in further rate cuts by the Federal Reserve. In contrast, in the Eurozone, profit-taking in government bonds was the trend, with yield increasing, resuming the trend that began with the approval of new fiscal plans in Germany. In the currency markets, the euro's rally against the dollar continued, with the euro appreciating 3.9%, surpassing the \$1.17/€ mark.

Regarding equity positioning, we closed the month with 19% exposure, representing a 0.5% increase compared to the previous month. Geographically, this increased exposure is concentrated in both the US and Europe, as we increased our exposure in the first half of the month through the purchase of S&P 500 and Eurostoxx futures. We also made changes to our hedging strategy on the Eurostoxx 50, unwinding the hedge we had close to maturity, taking profits, and thus being able to finance a new hedge with a longer maturity.

On the fixed-income side, the portfolio's duration at the end of the month is 3.01 years, similar level compared to the previous month. The decline in European yields, caused by the rise in geopolitical tensions between Israel and Iran, offered an opportunity to make tactical changes to European duration. On the government side, we reduced duration by selling 10-year German bond futures. Additionally, we bought back Bund call options, realized gains, and replaced them with equivalent positions in futures to maintain the same overall duration level of the asset.

Regarding the currencies, we remain exposed to the US dollar, with no significant changes this month, but with a slight increase due to the positive performance of assets denominated in that currency.

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