

Santander Select Dynamic

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Fund commentary

In December, the S&P 500 closed flat. Although it reached new all-time highs during the month, profit-taking, partly linked to news of investment plans by some technology companies, limited its advance. For the year to date, the index has accumulated a gain of 16.4%, marking its third consecutive year of gains. In Europe, the tone was positive, with the Stoxx Europe 600 and the Euro Stoxx 50 reaching record highs. Globally, equities advanced 0.9% in the month, bringing the year-to-date gain to 20.6%. On the monetary policy front, the Federal Reserve cut interest rates by 25 basis points for the third time this year, while the ECB kept them unchanged. In fixed income, the main indices registered declines in December due to rising yields, both in the US and the Eurozone, particularly for longer maturities. In this context, Isabel Schnabel's statements hinting at a possible future interest rate hike by the ECB put pressure on the markets, although investors assign a low probability to this scenario and expect it to occur no earlier than the end of 2026. Despite this, fixed income closed 2025 with gains for the third consecutive year, with credit performing particularly well. In the currency markets, the euro appreciated by 1.3% against the dollar in December, accumulating a 13.4% gain for the year.

In equities, the fund closed the month with total exposure of 74.5%, representing a 2% reduction compared to the previous month. This adjustment was mainly concentrated in the United States and Europe, as a result of active management of exposures during the second half of the month, as well as the implementation of a new hedging strategy on the S&P 500, aimed at strengthening the portfolio's protection against potential increases in volatility. The portfolio maintains a diversified geographical allocation across the United States, Europe, Japan, and emerging markets, which has allowed it to continue participating in the favorable stock market environment while preserving a prudent position.

In fixed income, the total duration stood at 1.55 years, at a similar level to the previous close. The portfolio remains well-balanced, with a solid base in European sovereign debt and European corporate credit, which contribute to overall stability. This is complemented by exposure to high yield and a tactical position in US sovereign debt, which help diversify the sources of returns.

In currencies, the exposure to the US dollar stood at around 35.3%, representing a 2.5% reduction compared to the previous month. This decrease is explained, on the one hand, by the relative underperformance of dollar-denominated assets and, on the other hand, because of the exposure reduction of dollar-denominated assets like S&P 500 ETFs.

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