Santander Asset Management

Marketing Communication

Santander Select Dynamic

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 implemented a bullish optionality strategy on the S&P 500 during the month. We also took advantage of the strong market rotation to adjust the portfolio both geographically and across market segments, reducing our exposure to European equities through the sale of Small Caps and MDAX positions, while increasing our allocation to US equities via the Nasdaq. This allowed us to take advantage of the correction in the technology sector to increase exposure to companies linked to this theme at more attractive valuation levels. We closed the month with an equity exposure of 76.4%, slightly above the previous month-end.

In fixed income, we closed the bullish optionality strategy on the 10-year US Treasury, locking in part of the accumulated gains, and re-established exposure through futures. Towards the end of the month, following the strong performance of the 10-year Treasury and taking advantage of elevated volatility levels, we reduced duration through option strategies on the same underlying. As a result, we ended the month with an overall duration of 1.37 years, slightly below the previous month-end level.

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