

Santander European Dividend

3 / 2026

Fund commentary

March marked a sharp shift in the tone of global equity markets, with a strong correction following the positive start to the year and a clear increase in risk aversion. The deterioration in sentiment was mainly driven by the geopolitical escalation in the Middle East, the sharp rise in oil prices, and the resulting concerns over a more challenging outlook for growth and inflation. This was compounded by increased volatility in the technology sector, where the market continued to question both the sustainability of AI-related capex and the visibility of returns in certain areas of software and semiconductors. In this context, both Europe and the U.S. ended the month with significant declines, although the U.S. market showed greater relative resilience.

In this environment, developed markets significantly outperformed emerging markets, although both ended March with substantial losses. Among developed markets, the U.S. was the most resilient (S&P 500 -5.01%), followed by the UK (FTSE 100 -6.18%), the euro area (EuroStoxx 50 -9.18%), and Japan (Nikkei 225 -12.76%).

In Europe, the main indices also closed sharply lower. The EuroStoxx 50 and the Stoxx 600 declined by -9.18% and -7.66%, respectively, breaking the positive trend seen in the first two months of the year and bringing first-quarter performance to -3.58% and -1.01%, respectively.

At the sector level in Europe, based on the Stoxx 600, March was characterized by very high dispersion and a sharp rotation toward energy-related segments and more defensive profiles. Almost all sectors ended the month in negative territory, with Energy as the only positive sector (+14.55%), supported by the strong rise in oil prices. This was followed by Chemicals (-2.51%), Utilities (-3.29%), Telecoms (-3.52%), and Insurance (-4.38%). At the other end of the spectrum, the most affected sectors were Consumer Products & Services (-14.09%), Personal Care, Drug & Grocery Stores (-14.06%), Real Estate (-13.97%), and Autos & Parts (-12.66%).

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From a geographical perspective, all European markets closed March in negative territory. Italy (-6.06%), the UK (-6.18%), and the Netherlands (-6.55%) were the most resilient on a relative basis. In contrast, the largest declines were seen in Germany (-10.30%), France (-9.18%), and Sweden (-8.83%), in an environment where sensitivity to the energy shock and higher cyclical exposure particularly weighed on continental markets.

In the month of March, the fund had a negative absolute return similar to its benchmark MSCI Europe High Dividend Yield, but kept the overperformance on a year-to-date basis.

Sector allocation was neutral. Positive contribution being short industrial and financials. Negative contribution being short basic materials.

Slightly negative performance on the stock selection side, main contributors included oil companies like Total, Repsol or Equinor and RWE as well as being short SGS, Pernod, Kingfisher and Reinsurance names. Main detractors were Fresenius, Ryanair, Carlsberg, BAT and CCEP.

During the month of March, no changes on the portfolio composition

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