

Santander US Equity Hedged

10 / 2024

Fund commentary

The month of October has been marked by fluctuations in the expected outcome of the US elections and their implication on the financial markets in light of the expected fiscal policy depending on the governing party. Specifically, via corporate tax changes and the need to finance the public deficit. At the same time, positive corporate results and macro data have surprised positively, cooling expectations of rate cuts and putting upward pressure on bond yields in both the US and Europe.

Stock markets started the month with gains, losing momentum as the month progressed and ending the period with -0.9% cuts in the S&P500 index. By sector, financials and communications services had positive returns, while the biggest detractors were the Health Care and Technology sectors.

Santander US Equity Hedged declined -0.6% in October, thus falling less than the benchmark, and protecting the gains accumulated since inception. Regarding the current hedging strategy, the PUT option purchased with maturity on 31 Dec 24 protects the fund from market declines of more than -5% in the fourth quarter. This month the index has been in negative territory at times, with declines of -1% that increased the value of these hedges. The fund will always be protected with this PUT option, while we actively manage the sold options with which we try to partially finance the cost of that protection. In this regard, given the strength of the U.S. stock market this year and the uncertainty of the imminent outcome of the U.S. elections, we have chosen to be cautious when selling CALL options that may at some point limit the fund's gains. This is why we have only sold the equivalent of 50% of the fund in these CALL options, thus leaving the remaining 50% free to participate if the market accelerates the rallies, as tends to happen in the last months of the year.

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