

Santander Select Dynamic

1 / 2025

Fund commentary

The year has started with strong gains on European stock markets. The broad StoxxEurope600 index rose +6.3% and the German DAX +9.2%, both ending the month at record highs. In the US, the S&P500 rose 2.7% and the index was penalized in the last week of the month by episodes of volatility in the technology sector following the launch of the DeepSeek R1 AI tool. The 4Q24 earnings season started on a very positive note for US companies, which are the first to announce earnings. Positive earnings surprises were accompanied by strong forecasts for 2025.

In fixed-income markets, government bond prices continued to fall during the first half of the month, with yields rising, but the release of good inflation data in the US boosted investor sentiment and led to a decline in yields. The movement continued, supported by the meetings of the Central Banks, as decisions were as expected with the Fed keeping rates unchanged and the ECB cutting 25 bps, and the search for safe haven assets after the volatility generated by the launch of Deepseek R1 directed flows to government bonds. In the month, the main fixed-income indices posted gains, with private fixed-income indices standing out once again.

In the foreign exchange market, profit-taking on the dollar in the last part of the month placed it at 1.0362\$/€, with hardly any changes since the close of 2024.

As for the fund's equity positioning, we have increased our exposure to close the month at a level of 76%. This increase has been mainly in Europe, where we implemented a bullish strategy with options on the Eurostoxx50 which, benefiting from the strong rise in the European market, increased our exposure throughout the month. At the end of the month we undid this strategy, taking profits, while buying Stoxx600 futures, leaving our exposure to this geography 2.7% higher than last month. In the US, we have bought hedges on the S&P500 to protect the fund against increases in volatility due to the possible impact of potential changes in US policies.

As for fixed income, this month we haven't had any significant operations to highlight. We thus closed the month with a duration level of 1.46 years, similar to the close of last month.

As for currencies, we continue to maintain exposure to the US dollar, compared to the euro. We have taken advantage of the weakness of the dollar at certain times in January to increase exposure to this currency, selling EUR/USD futures

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