

Santander Select Moderate

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 positioning in equities, we increased the overweighting to close the month at a level of 42.2%, around 1.8% higher than the previous close. This increase has been mainly in Europe, helped by the good performance of the markets. During January, we decided to implement a new hedging strategy on the S&P500 with maturity in March, due to the possible impact of potential changes in US policies.

On the fixed-income side, the sharp rise in yields in Europe has given us an opportunity to increase duration through a bullish strategy with options on the 10Y German Futures which we later sold at a profit. We finally ended the month with a level of 2.53 years, similar to the close of last month.

As for currencies, we continue to maintain exposure to the US dollar, against the euro. During the month, we have increased our exposure to this currency, selling EUR/USD futures.

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