Santander
Private Banking

Stay ahead:
Active investing
for a shifting
landscape

Global Market Outlook 2025


Private
Banking

Stay ahead: Active investing for a shifting landscape

Dear client

The great investor Howard Marks once said that "you can't predict, (but) you can prepare." This wisdom resonates strongly as we look ahead to **2025, a year that we expect to unfold in two distinct phases.** The first part of the year looks set for a relatively stable trajectory, supported by moderating inflation, central banks' pivot to normalised rates, and continued resilience in major economies. However, the second half could bring greater uncertainty as fiscal pressures increase and geopolitical tensions persist. In addition, the tax and trade changes proposed by the incoming U.S. administration will have economic implications that will become clear once they are implemented.

Rather than viewing this environment with apprehension, we see an **opportunity for active investment approaches:**

- First, the planned reduction in interest rates, while welcome, requires nuanced navigation. We believe that actively managed fixed income strategies are well positioned to **capitalise on yield curve movements and identify selected credit opportunities as spreads evolve.** Simply "buying the market" may not be enough in this environment.

- Second, although the equity market has been dominated by a handful of large tech companies, **we see 2025 as a "stock picker´s market."** The next phase of artificial intelligence (AI) adoption will see winners emerge in a number of industries, not just among infrastructure providers. We place a special focus on companies that implement AI solutions, quality companies with strong balance sheets, and companies that enable the massive development of energy and IT infrastructures.

- Finally, and perhaps most importantly, **traditional balanced portfolios may need reinforcement.** The combination of demanding valuations in the public market and greater geopolitical complexity are compelling arguments for diversifying beyond conventional stocks and bonds. Private markets, real assets (in particular, infrastructure and real estate), and targeted hedging strategies can improve portfolio resilience while providing access to secular growth trends.

Your Private Banker is available to discuss how these opportunities can fit into your investment strategy. While the landscape ahead might be challenging, we believe it can also be an appropriate window of opportunity to position your investments actively and with a strategic vision.

Thank you for your trust.

Alfonso Castillo Lapetra
Global Head
Santander Private Banking

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Key messages 2025

A shifting landscape

A year of two halves: solid start, uncertain finish

1.1

Interest rates back to neutral

Central banks worldwide are orchestrating a coordinated shift towards lower interest rates in 2025, as the focus switches from inflation to growth. This transition towards more neutral monetary policy levels should lead to improved credit conditions and broader financial market stability. Market expectations for Fed rate cuts may evolve as new fiscal and trade policies take shape.

1.2

Moving to a normalised growth environment

Global economic prospects for 2025 reflect a threefold narrative: initial stability driven by resilient U.S. consumption, China's stimulus efforts, and strong services performance across major economies. However, headwinds loom for the second half, including inflation risks, fiscal challenges in key economies, and potential corporate spending pullback affecting employment.

1.3

Rising geopolitical risks

Despite moderating inflation and supportive monetary policy, 2025's outlook faces significant geopolitical headwinds. US-China tech competition, the conflict in Ukraine, and Middle East tensions create an interconnected risk environment that could challenge the anticipated scenario. Potential shifts in US foreign policy following the presidential election could significantly reshape international trade relationships and diplomatic engagements.

1.4

AI: Hopes for a productivity boom

A new wave of technological disruption led by AI, robotics, and clean energy could drive annual productivity growth in the coming years, potentially helping to resolve current economic challenges including labour shortages and inflation pressures. While implementation will take time, the impact could match or exceed previous technological revolutions.

Active investment ideas

Capture the opportunities of market shifts

2.0

Active investing in a shifting landscape

The macro environment remains supportive of multiple asset classes, yet current valuations already reflect soft landing expectations. To enhance returns in this environment, investors could consider looking beyond traditional allocations and embrace active management in specialised market segments. Strategic diversification across investment styles, sectors, and geographies could unlock value opportunities while navigating today's complex investment landscape.

2.1

Stay ahead of the curve

As central banks begin their easing cycles, investors could enhance returns by moving beyond cash holdings. Strategic opportunities lie in duration management and higher-yielding segments including emerging market debt, structured products, bank loans, and private credit. Given the complexity of these markets, active management offers the optimal approach for capturing yield while controlling risks.

2.2

Capture growth beyond the hype

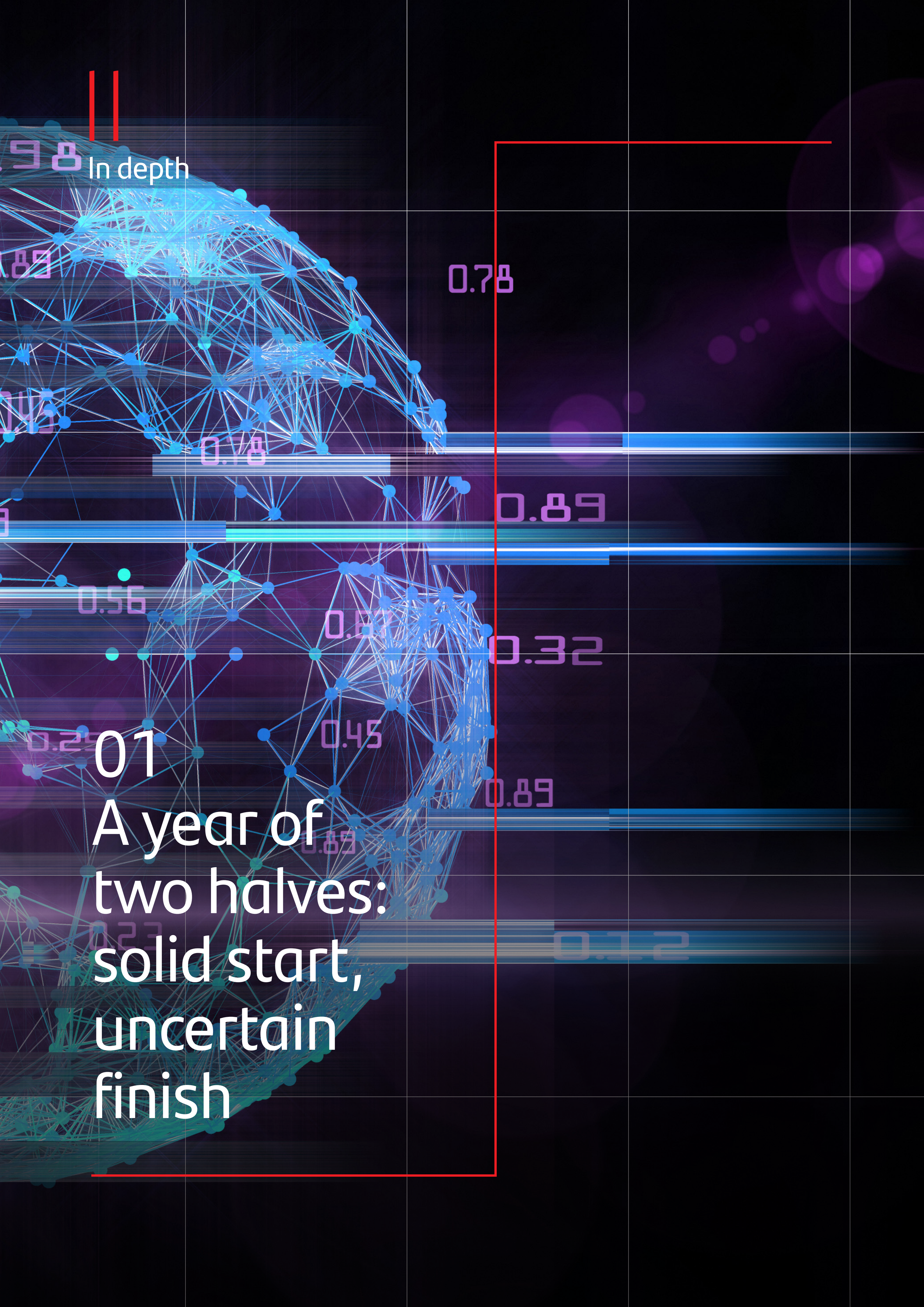
Equity markets benefit from earnings recovery and monetary easing, though concentrated valuations in mega-cap tech create vulnerability. Investors could consider positioning for a broader market recovery through quality companies outside technology, firms implementing AI solutions across industries, and leaders in energy transformation. This strategy captures growth potential while reducing single-sector exposure.

2.3

Diversify beyond traditional mix

Traditional balanced portfolios now face headwinds from elevated valuations across major asset classes. Amid rising geopolitical tensions and growing fiscal imbalances, investors should expand beyond conventional stock-bond allocations. Adding exposure to private markets, real assets, macro strategies, structured products, precious metals, and strategic commodities can enhance portfolio resilience while improving return potential.

In depth



01
A year of two halves: solid start, uncertain finish

1.0 A year of two halves: solid start, uncertain finish

In 2025, the global economic landscape will be shaped by significant changes such as shifts in monetary policy, economic growth prospects, geopolitical risks, and technological innovation.

In this chapter, we aim to provide some insights into these four relevant macroeconomic topics:

01 **Central banks are moving toward normalised interest rate levels.** This shift provides support for economic growth as inflation begins to moderate. The gradual reduction in interest rates is a necessary step to maintain economic stability and stimulate growth. However, the pace of monetary easing in the U.S. could be influenced by the interaction between growth-oriented policies and inflation dynamics.

02 **Our central economic growth scenario for 2025 is one of a "soft landing".** Growth in the first half of the year should find support on the resilience of the US consumer, stimulus measures in China, the removal of election uncertainty in the US and momentum in the services sector. However, the second half of the year may face challenges that could threaten the projected growth path.

03 **Geopolitical risks remain a significant concern,** with potential shifts in U.S. international engagement likely to influence global trade flows and regional conflicts. Tensions in these areas pose significant risks to global economic stability and could disrupt the expected "soft landing" scenario.

04 **Technological innovation is expected to play a critical role in driving future productivity growth.** Artificial intelligence (AI), robotics, renewable energy, and biotechnology are key areas that could enhance efficiency and foster growth in capital expenditures.

Overall, while fundamentals support sustainable growth in early 2025, increased market volatility may emerge in the second half as investors begin pricing in potential policy shifts and fiscal challenges. Managing these financial market risks, alongside economic, geopolitical, and technological challenges, will be crucial for both policymakers and investors throughout 2025 and beyond.

A very balanced macro forecast: Modest growth and lower interest rates

Source: Santander CIB and Bloomberg / Reuters (for Japan, China and India). Data as of 31/10/2024

Economies appear more “normal” than at any time since 2019

Developed economies

Real GDP (YoY)	2024e	2025e
United States	2.4 %	1.9 %
Eurozone	0.7%	1.0 %
United Kingdom	0.9 %	1.4 %
Japan	0.0 %	1.2 %

Official interest rates	2024e	2025e
United States	4.25-4.50 %	3.25-3.50 %
Eurozone	3.0 %	2.0 %
United Kingdom	4.75 %	3.5 %
Japan	0.4 %	0.7 %

Emerging economies

Real GDP (YoY)	2024e	2025e
Brazil	3.0 %	1.5 %
Mexico	1.5 %	1.2 %
Chile	2.5 %	2.5 %
Poland	3.0 %	3.5 %
China	4.8 %	4.5%
India	8.2 %	6.9 %

Official interest rates	2024e	2025e
Brazil	11.75 %	10.5 %
Mexico	10.0 %	8.0 %
Chile	5.0 %	4.5 %
Poland	5.75 %	4.5 %
China	1.5 %	1.2 %
India	6.25 %	5.75 %

1.1 Easier rates in the short term

The global monetary policy landscape is undergoing a significant shift as central banks move toward more conventional interest rate levels after a period of aggressive tightening. Major central banks are now focusing on rate cuts as inflationary pressures ease and the focus shifts to sustaining economic growth. The US Federal Reserve began this easing cycle with a 0.50% cut in September. Market expectations for the terminal rate were revised up to 3.75% (from 3.5%) following Donald **Trump's victory,** reflecting **concerns about restrictive immigration policies and higher tariffs that could reignite inflationary pressures.**

Central banks are focusing more on supporting growth as inflation eases

Emerging markets are ahead of developed markets in the easing cycle. As the charts below show, further monetary easing is needed in the eurozone, and we expect the European Central Bank to make further rate cuts to leave the official rate at 2.25% by June 2025. **Developed markets appear on track to return to target inflation levels during 2025, driven by normalising consumer demand and increased competition for limited job openings.** The implementation of new U.S. growth and trade policies may influence this inflation trajectory. The labour market has adjusted sufficiently to reduce inflationary pressures without leading to widespread unemployment.

Developed markets converge toward neutral rates by the end of 2025

In **emerging markets, the timing and pace of the easing cycles varies.** For example, Brazil, Poland, and Mexico began cutting interest rates earlier than the Federal Reserve, in response to declining inflationary pressures. However, less than a year later, Brazil reversed course and raised rates in anticipation of higher inflation forecasts.

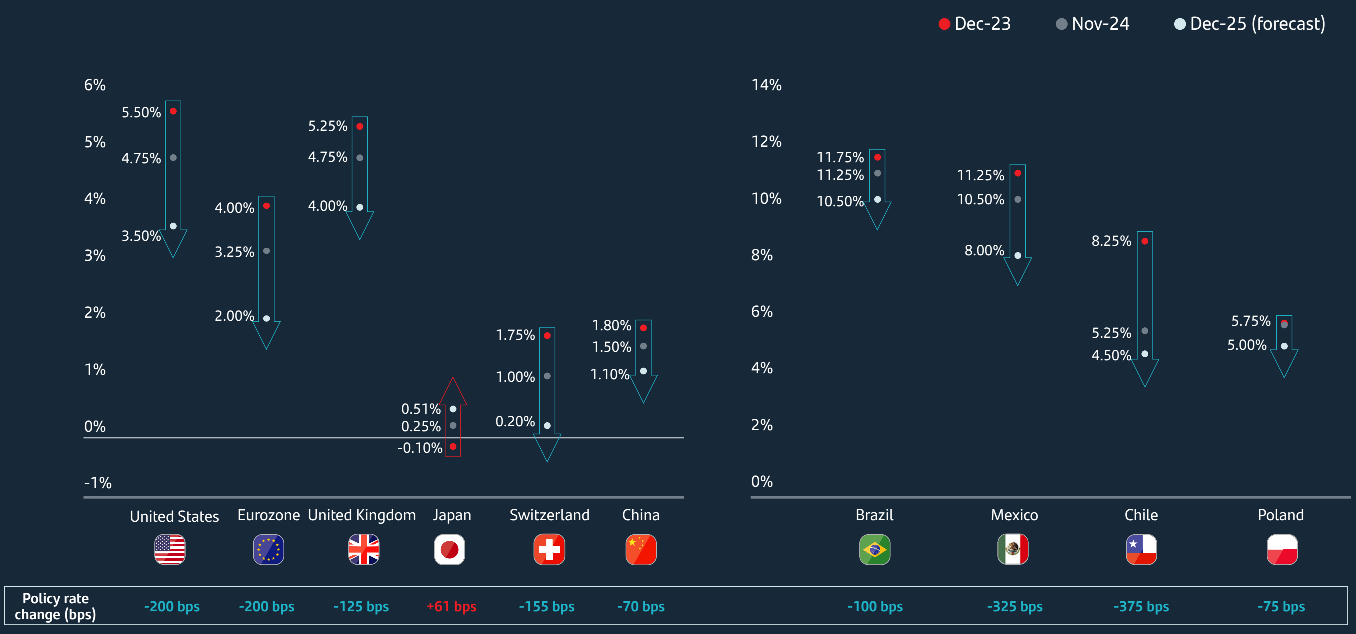
Globally, interest rates are expected to normalise, supporting sustainable growth and price stability. However, in the U.S., monetary policy faces a delicate balancing act. The potential combination of fiscal expansion through tax policies and supply-side constraints from shifting trade and immigration frameworks creates a complex environment. This policy mix could introduce new inflationary pressures and market volatility, requiring careful calibration of interest rates to maintain price stability while supporting economic growth.

EM countries are ahead in easing cycle but showing mixed paths

Monetary policy is normalising

Source: Bloomberg and Santander CIB for forecasts. Data as of 31/10/2024

Interest rates are expected to normalise and support sustainable growth and price stability



1.2 Moving to a normalised growth environment

The global economic outlook for 2025 is cautiously optimistic, with a "soft landing" scenario expected in the first half of the year. **Early-year growth is supported by several short-term strengths,** including the resilience of the US consumer and expectations of tax cuts, recent stimulus measures in China, and continued momentum in the services sector in major economies. These factors provide **a stable foundation that should help sustain moderate growth in early 2025, easing fears of an immediate downturn.**

A benign global economic outlook unfolds but policy uncertainty and geopolitical tensions could derail the initial positive macro backdrop

US consumer spending habits remain unchanged, supported by strong household finances, stable employment, and wage growth. The new Trump administration is expected to drive economic growth through a combination of deregulatory policies, aimed at reducing restrictions on businesses across various sectors, and tax cuts, to encourage business investment. Meanwhile, **the services sector, particularly in the U.S. and Europe, continues to show resilience, with growth remaining robust even as manufacturing decelerates.** The current consumer trend towards experiences and services together supports a stable growth outlook in the near term. In Europe, external shocks and structural problems have pushed Germany into its first two-year recession in more than two decades.

Services sector momentum and consumer strength underpin global economic growth

Emerging markets are poised to benefit from China's recent stimulus measures, providing a boost to regional trade and economic stability, and from proactive easing by their central banks. As borrowing costs decline, these economies could attract more foreign investment, supported by a stable dollar and improving trade balances, creating a favourable growth outlook amid global economic challenges.

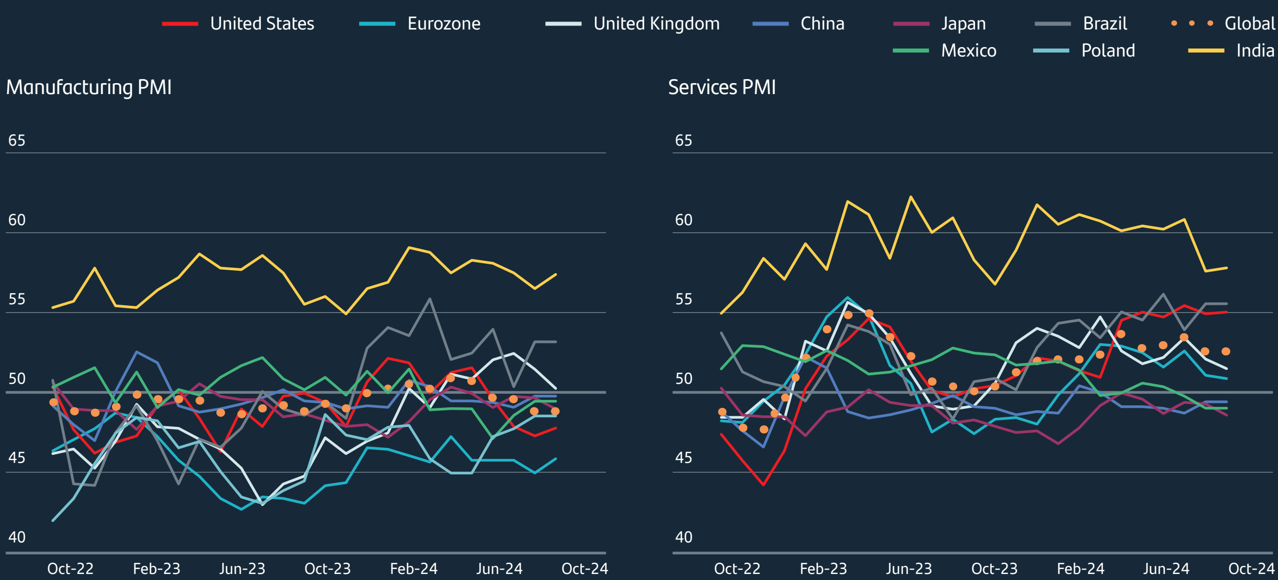
China's stimulus offers crucial support to counter global manufacturing slowdown

As the year progresses, potential headwinds could challenge the outlook, risking inflationary pressures and a more challenging economic environment. **New tariffs,** especially if geopolitical tensions rise, could reignite inflation concerns. **Fiscal strains could worsen** in key economies such as France and the U.S., leading to difficult policy choices and potentially affecting business and consumer confidence. **Corporate spending** may also decline if top-line growth weakens, leading to reduced hiring or layoffs, which could dampen consumer sentiment and spending, creating a more uncertain outlook for the latter half of the year.

Business confidence indicators depict a diverging outlook

Source: Bloomberg. Data as of 31/10/2024

A tale of two sectors: resilient services outpace sluggish manufacturing



1.3 A fragile world: Rising geopolitical risks

The early 2025 economic outlook appears stable with moderating inflation and supportive monetary policy, but geopolitical risks could disrupt this scenario. The global risk index has remained elevated since Russia's invasion of Ukraine in 2022, with recent Middle East tensions triggering new spikes (see graph below). Market volatility indicators - both equity (VIX) and fixed income (MOVE) - demonstrate **heightened sensitivity to these geopolitical developments.**

Geopolitical tensions can eventually escalate as investors evaluate the policy implications of the new US administration

Three critical risks deserve focus. First, the **U.S.-China relationship remains complex** as both nations compete for global economic and technological leadership. Beyond traditional trade tensions, competition extends into strategic sectors like semiconductors, AI, and green technology. The implementation of tariffs (up to 60% on Chinese goods) and potential trade restrictions could disrupt global supply chains and reignite inflationary pressures.

Second, the **conflict in Ukraine,** while markets have largely priced in current dynamics, risks remain elevated. Europe's vulnerability to energy disruptions persists - any escalation could force central banks to choose between supporting growth and controlling inflation. Changes in U.S. policy approach under the new administration add another layer of uncertainty.

US-China power struggle creates widespread risks across markets and sectors

Finally, the recent escalation in the **Middle East** has raised **concerns about regional stability and energy security.** Any significant disruption to oil production or shipping routes could trigger an increase in energy prices, affecting global inflation and growth. The Strait of Hormuz, through which approximately 20% of global oil shipments pass, remains a critical chokepoint.

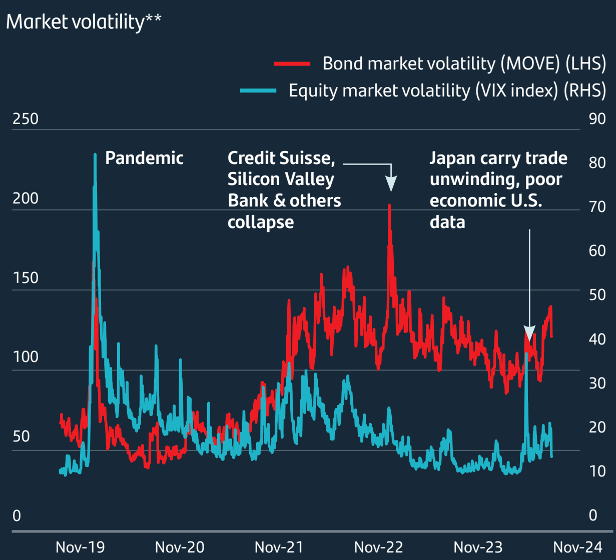
Looking toward the second half of 2025, market volatility could intensify beyond these geopolitical concerns and discussions around fiscal discipline may unsettle markets. Additionally, while actual implementation of new trade and immigration policies might not materialise until 2026, financial markets typically price in such changes well in advance. This combination suggests heightened market volatility rather than economic hard landing risk, requiring careful portfolio positioning.

Ukraine and the Middle East conflicts are of special relevance to energy markets

Geopolitical Risk Index and market volatility

Source: Data downloaded from https://www.matteoiacoviello.com/gpr.htm and Bloomberg for MOVE and VIX indexes. Data as of 11/07/2024

Perception of geopolitical risk is on the rise and could impact markets in 2025



* Geopolitical Risk Index: number of articles related to adverse geopolitical events in each (selected) newspaper for each month (as a share of the total number of news articles).
** VIX Index: expected volatility of the S&P 500 in a 30-day period. The closer to 0, the lowest the volatility.
MOVE Index: tracks implied normal yield volatility of a U.S. yield curve weighted basket of at-the-money one-month options on the 2-year, 5-year, 10-year, and 30-year constant maturity interest rate swaps.

1.4 Innovation boom: a productivity breakthrough ahead

A potential wave of productivity growth driven by technological disruption could provide crucial support to our scenario of moderate growth amid inflation risks. Innovations offer a **pathway to potentially extended cycles of economic expansion with moderated inflation.** This possibility is particularly compelling as it suggests that, despite current headwinds, emerging technologies could counterbalance inflationary pressures and enhance productivity in a way that sustains growth without excessive price increases.

The convergence of AI, robotics, and energy efficiency technologies represents a cognitive industrial revolution

Technological innovation has long been a catalyst for economic growth by enhancing productivity, though its benefits often unfold gradually. The graph below shows how past technological revolutions—such as the IBM mainframe, Windows PC, and web browser—each brought about **significant productivity gains and periods of above-average returns in the equity markets.**

Past technological disruptions have contributed to a rise in productivity

The **current technological revolution is built on several interconnected pillars.** Machine learning and AI systems are revolutionising business operations through process automation, predictive analytics, and decision support, with potential productivity gains of 25-40% across industries. Advanced **robotics and automation systems** are simultaneously transforming manufacturing efficiency and reducing labour constraints. The ongoing transition to **clean energy** technology is contributing to energy cost stability while reducing fossil fuel dependence. **Biotechnology** advances are driving healthcare efficiency improvements and boosting workforce productivity through better health outcomes.

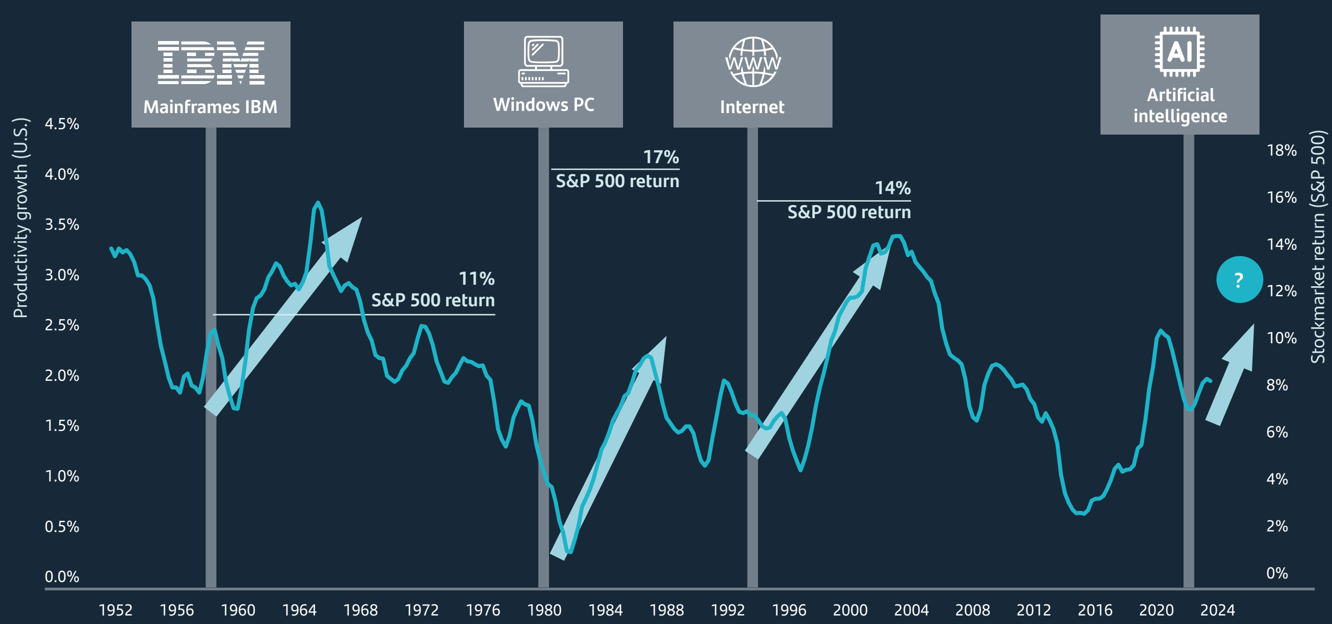
The full economic potential of these innovations may take time to impact growth

While the potential benefits of these technologies are immense, **their adoption and integration into the economy will be gradual, with the gains in productivity and economic growth becoming apparent only as these innovations achieve broader application.**

Increase in productivity (*) and performance of equity market in the U.S. after technological disruptions

Source: Bloomberg. Data as of 30/09/2024

Important improvements in productivity following major technological breakthroughs



(*) Productivity: U.S. non-farm business sector output per hour (5-year rolling average)

In depth

02 Active Investment for a shifting landscape

2.0 Active investing for a shifting landscape

The market has already discounted a soft-landing scenario, as evidenced by strong performance across major asset classes. While balanced portfolios have historically outperformed cash positions in similar environments, current market conditions warrant caution - credit spreads are at historical lows and equity valuations are elevated, particularly in U.S. large caps. Looking at historical data, in rate-cutting cycles during soft landings, balanced portfolios delivered average returns of 15% versus 5% for cash positions.

Our objective with this chapter is to offer investment ideas that might help navigate the current scenario.

01 **Stay ahead of the curve:** Take an active approach to yield curve positioning as central banks normalise rates. Target opportunities in specialised credit markets and emerging market debt, where yields remain attractive. Focus on selective credit exposure given tight spreads.

02 **Capture growth beyond the hype:** Focus on companies with sustainable earnings power and quality characteristics. To benefit from a broader market recovery, clients could consider investments beyond the largest capitalisation technology companies. Target beneficiaries of AI implementation across sectors and companies enabling energy transition infrastructure.

03 **Diversify beyond the traditional mix:** Current valuations and potential volatility argue for looking beyond traditional stocks and bonds. Consider increased allocations to:

- Private markets offering unique return streams
- Real assets providing inflation protection
- Safe-haven assets like gold for geopolitical hedging
- Macro hedge funds to navigate policy shifts
- Structured products for targeted risk/return profiles

In conclusion, to optimise returns, **investors could explore beyond traditional allocations and opt for active investment in specialised market segments.** This multilayered approach aims to capture opportunities while building resilience for an environment where both stocks and bonds face valuation headwinds.

Markets performance during previous monetary easing cycles

Source: Santander Private Banking and Bloomberg

In the past, a soft-landing scenario allowed for positive returns across markets

			Change in yields (bps)		Period returns					
First cut	Last cut	Economy	Policy rate change	10 year Treasury	Cash (Money Mkt.)	Investment grade	High Yield	Government Treasuries	Sec. credit (MBS)	Equities (S&P 500)
Oct-84	Aug-86	Soft landing	-587	-551	16%	44%	44%	36%	42%	51%
Jun-89	Sep-92	Recession	-675	-197	25%	44%	47%	40%	44%	30%
Jul-95	Jan-96	Soft landing	-75	-45	3%	9%	7%	6%	6%	15%
Sep-98	Nov-98	Soft landing	-75	31	1%	4%	3%	2%	2%	9%
Jan-01	Jun-03	Recession	-550	-175	7%	31%	23%	21%	20%	-28%
Sep-07	Dec-08	Recession	-500	-222	3%	-2%	-25%	16%	13%	-40%
Jul-19	Oct-19	Soft landing	-75	-24	1%	4%	1%	2%	2%	2%
Mar-20	Mar-20	Recession	-150	-28	0%	-7%	-11%	2%	1%	-21%
		Total average	**-336**	**-151**	**7%**	**16%**	**11%**	**16%**	**16%**	**2%**
		Soft landing	-203	-147	5%	15%	14%	12%	13%	19%
		Recession	-469	-156	9%	17%	9%	20%	20%	-15%

2.1 Stay ahead of the curve

Fixed income allocation strategies warrant reassessment as markets prices in a soft landing and moderate rate cuts. Following 2024's robust rally, yields have declined substantially, and credit spreads have tightened to historical lows. This price action reflects growing confidence in economic stability, though further gains may be limited from current levels.

Fixed income assets offer advantages over cash, particularly during rate-cutting cycles. While cash is essential for short-term needs, fixed income investments historically outperform cash, providing better potential returns through both yield and capital appreciation. This makes fixed income a strategic choice for investors looking to optimise their portfolios in the current economic climate. To capitalise on these opportunities, it may be advantageous for investors to explore a diversified approach to fixed income investments. This includes looking into various segments such as government bonds, corporate credit, and alternative fixed income assets.

Government bonds remain foundational despite lower yields, offering stability and portfolio protection. Focus on longer-duration bonds and inflation-protected securities to enhance returns in this environment. **The current 10-year Treasury yield at 4.4% provides an attractive entry point** as the Fed progresses with its easing cycle.

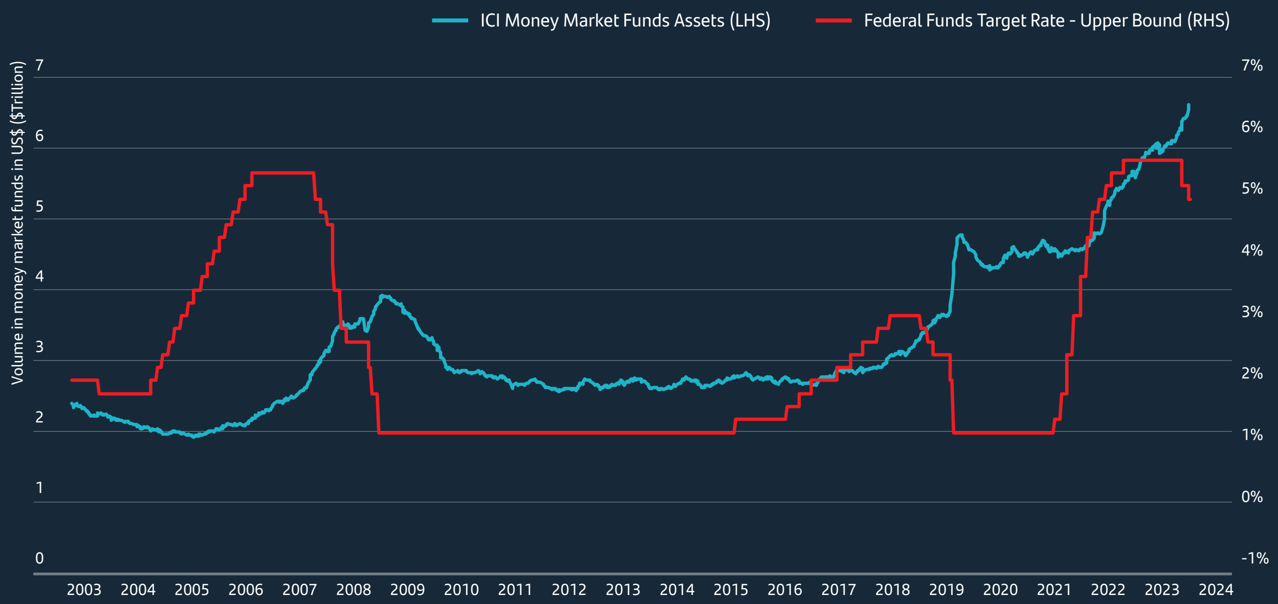
Corporate credit offers compelling opportunities but requires careful credit quality assessment given tight spreads (investment grade spreads at 80bps, near cycle lows). Sector and issuer selection becomes critical as the credit cycle matures. Focus on defensive sectors and strong balance sheets.

Specialised fixed income segments, such as high-yield bonds, emerging market debt, and structured products, offer additional **opportunities for diversification and yield enhancement.** These investments can provide higher returns but come with increased risk, making thorough research and active management vital. **A diversified, actively managed approach can help optimise portfolios in this evolving rate environment.** This strategy involves tactically balancing duration exposure as central banks cut rates, selectively adding credit risk in sectors with strong fundamentals, and incorporating specialised segments like emerging market debt and securitised debt for yield enhancement. The key is maintaining flexibility to adjust positions as opportunities shift between regions and segments while keeping a defensive core allocation focused on high-quality government and corporate bonds.

U.S. Money Market fund assets vs. Fed Funds rate

Source: Bloomberg. Weekly data as of 07/11/2024

Record levels of liquid funds will begin the search for yield as rate cuts take place



2.1.1 Position for a steeper curve

Policy rates are projected to decline meaningfully through 2025 - Fed Funds rate moving below 4% and ECB deposit rate toward 2%. This creates **compelling opportunities beyond cash investments as the yield curve steepens during the easing cycle.**

Historical monetary cycles demonstrate that shorter-term rates typically fall faster than long-term rates, leading to a **steeper yield curve.** This pattern creates **opportunities for active managers to capture higher yields than cash, benefit from potential price appreciation as rates fall,** and take advantage of market volatility around each central bank decision.

For U.S. investors, the 5-year segment offers attractive value with 4.2% yields and moderate duration risk. European investors may find opportunities in the 3-7 year range where more aggressive ECB cuts could drive stronger returns. Historical patterns show that **shorter-term rates typically fall faster than long-term rates during easing cycles.**

While the direction of rates seems clear, the path will not be straight. Market volatility can emerge from uncertainty regarding the pace of rate cuts, changes in fiscal policy, questions about sovereign debt sustainability in certain countries, and reactions to economic data. Geopolitical risks and varying inflation trajectories across regions could further complicate central banks' policy paths, while elevated government debt levels may impact term premiums. Yet this environment of change and adjustment is precisely where active management can add the most value.

This environment of change creates **opportunities for active managers to capture value through dynamic positioning.** Rather than remaining in cash or taking excessive duration risk, a balanced approach focused on intermediate maturity offers attractive risk-adjusted return potential. Flexibility to adjust positioning as opportunities evolve while maintaining strategic objectives becomes critical

The ability to actively adjust duration and curve positioning during monetary easing cycles is crucial

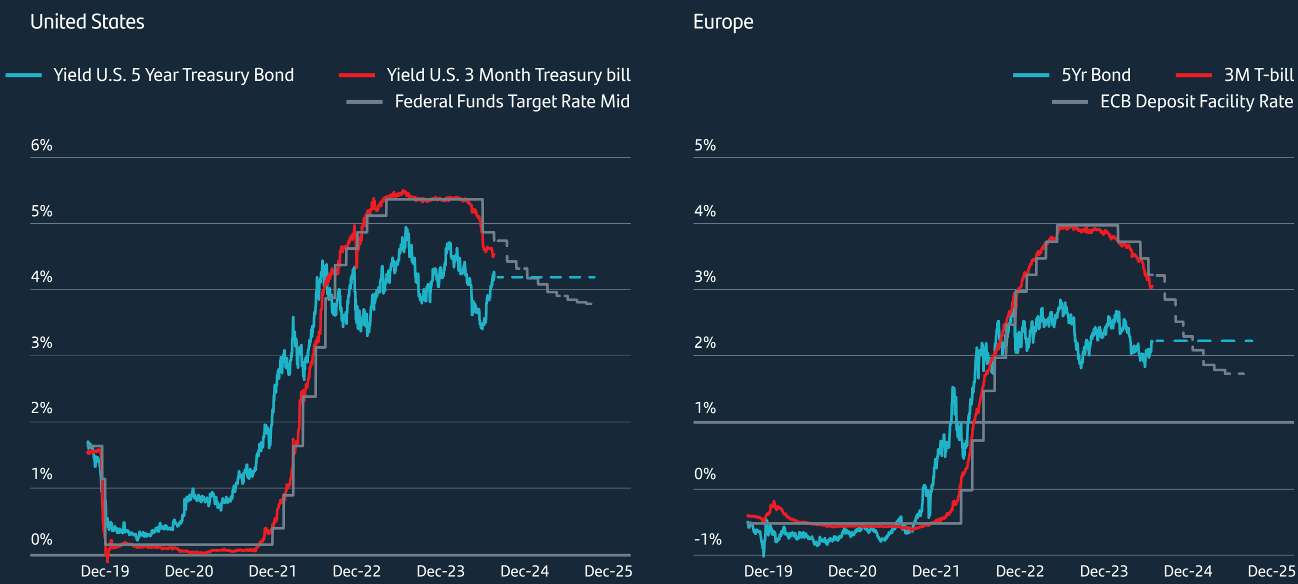
While the direction of rates seems clear, the path will not be straight and bond market volatility has increased after the elections in the U.S.

Active managers can deliver value for investors in this dynamic environment

The value of active investing in a shifting landscape for short rates and medium term yields

Source: Bloomberg and WIRP function for expected central bank rates in 2025. Data as of 07/11/2024

Beyond cash: The case for increasing duration as the curve steepens



2.1.2 Explore specialised credit opportunities

Corporate bond spreads are historically tight, highlighting the need for a strategic approach to managing credit risk. This **tightening reflects the current asymmetry in credit returns, with limited upside compared with the downside risk.** Despite strong corporate fundamentals and expected rate cuts, the premium for holding credit risk has diminished significantly.

For private banking clients, **specific areas of the credit market offer favorable returns** relative to the risk. **Securitised debt,** particularly mortgage-backed securities (MBS), presents a compelling case. The U.S. residential real estate sector faces limited supply, supporting asset quality in these securities. **MBS offer an attractive yield spread and is backed by sound collateral,** making it a suitable choice for yield enhancement without significantly increasing risk exposure. The structured nature of MBS, often with government backing, provides added security in a volatile market environment.

Specialised credit sectors including catastrophe bonds (CAT), Additional Tier 1 (AT1) capital instruments, private credit, and collateralised loan obligations (CLOs) offer diversification benefits. These complex instruments require specialised management but can enhance portfolio yield without significantly increasing correlation to traditional risks. CAT bonds provide uncorrelated yield opportunities, while CLOs and AT1 securities serve as high-yield options with unique risk-return profiles. Active management becomes critical in this environment as managers can respond dynamically to spread widening opportunities while positioning defensively when spreads tighten further. Security selection in less efficient market segments creates alpha potential. The ability to maintain flexibility in adjusting risk exposure as conditions evolve helps protect against market dislocations. **Through targeted credit selection and active risk management, managers can identify opportunities while maintaining appropriate portfolio protection.**

Active management and focus on quality over yield as credit spreads tighten

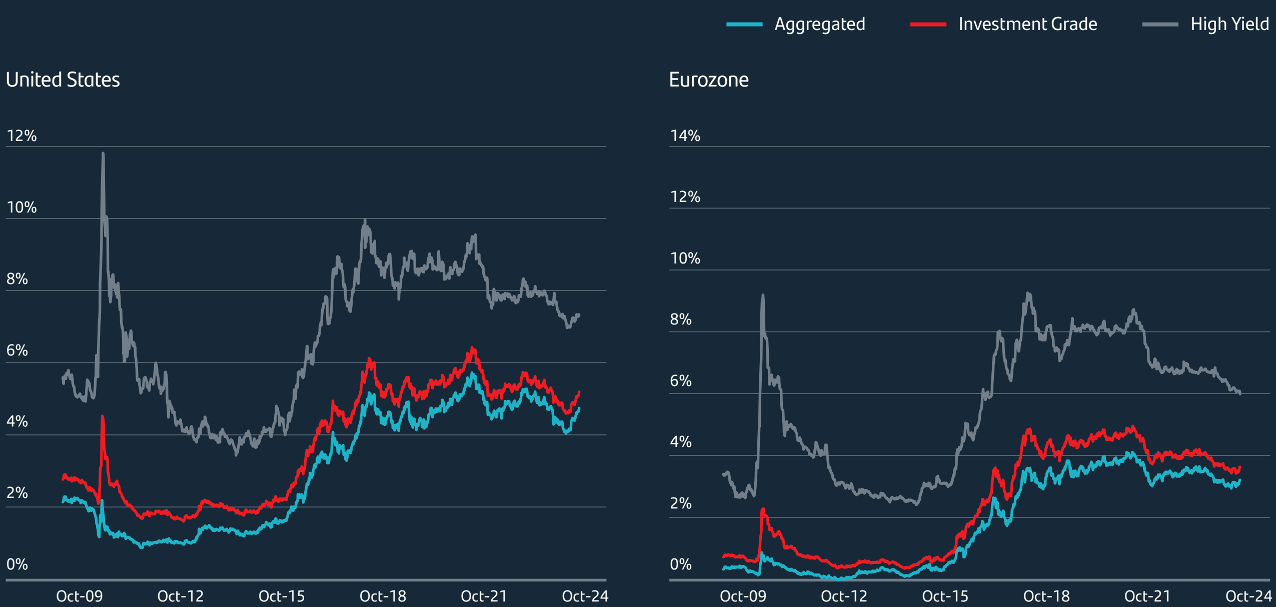
Securitised debt, especially MBS, offers attractive returns with strong underlying collateral value

Specialised credit sectors provide diversification opportunities when accessed through experienced managers

Evolution of yields in U.S. and Eurozone bond indexes

Source: Bloomberg. Data as of 31/10/2024

Riskiest parts of credit (high yield) have rallied reducing the premium for owning them



Indexes used for these graphs: Bloomberg US Agg Total Return Index USD, Bloomberg US Corporate Total Return Index USD, Bloomberg US Corporate High Yield Total Return Index USD, Bloomberg Pan-European Aggregate Total Return Index EUR, Bloomberg Pan European Aggregate Corporate TR Index EUR, Bloomberg Pan-European High Yield Total Return Index EUR

2.1.3 Find diversification in emerging markets

Emerging Markets Debt (EMD) offers valuable diversification within fixed income. **Historically, EMD has benefited from declining U.S. rates, soft landing economic scenarios, and a weakening dollar.** Yet, recent U.S. political developments have introduced new headwinds. Rising U.S. yields and fiscal expansion are strengthening the dollar, increasing pressure on emerging market currencies and debt, especially for issuers with U.S. dollar-denominated obligations.

Emerging markets debt is positioned to benefit from declining U.S. rates despite recent turmoil after Trump´s election

China's recent stimulus actions provide optimism, supporting growth across emerging economies and setting the stage for long-term capital inflows. However, dollar strength remains a complex factor, elevating debt burdens for these markets. The **yield differential between emerging and developed markets, however, continues to offer attractive return potential,** especially in countries with high real rates and robust macro fundamentals.

The potential for a weaker dollar and China´s new stimulus program are other tailwinds

EMD investment can be approached through two primary options: hard currency and local currency bonds. **Hard currency EMD,** denominated in reserve currencies like the U.S. dollar, limits currency risk and remains appealing as U.S. yields decline. **Local currency EMD,** issued in emerging markets' native currencies, offers direct exposure to local yields and potential for currency appreciation against the dollar. However, the current strong dollar could counteract these gains, posing a challenge for investors accepting currency risk.

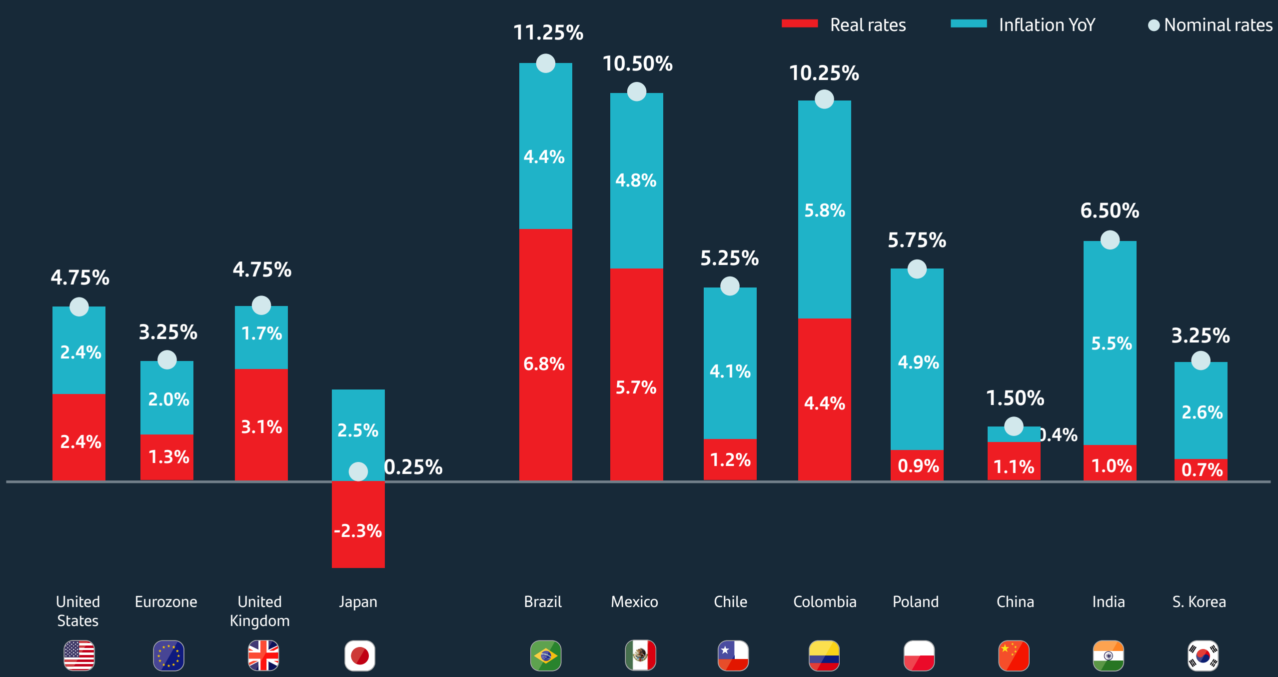
Despite currency volatility, **emerging markets with solid macroeconomic foundations and high yields remain attractive.** Countries with robust foreign exchange reserves, disciplined monetary policy, and improving current account balances offer particularly compelling opportunities. This segment offers substantial diversification benefits, adding valuable exposure to growth opportunities within global fixed income. With a strategic, diversified approach, EMD can act as a key portfolio component for investors seeking returns that balance emerging market prospects with manageable risks.

Higher real interest rates are the main support for local currency EMD

Breakdown of nominal, real rates and inflation between developed and emerging economies

Source: Bloomberg. Data as of 11/07/2024. October CPI and central banks benchmark rates

Diversification into emerging markets provides access to higher real rates



2.2 Capture growth beyond the hype

The equity outlook remains constructive, supported by earnings momentum and monetary easing that could expand valuation multiples. However, markets appear to have largely priced in this optimistic scenario. The MSCI World Index's 20% year-to-date gain has been predominantly driven by the "Magnificent 7" tech stocks, which have surged over 60%, led by Nvidia. This extreme market concentration suggests active management may prove especially valuable.

While market concentration has reached notable levels, with the S&P 500's top 10 stocks now representing over 30% of the index versus 23% in 2019, this reflects the unique strength of U.S. markets as the global hub for innovative companies. The S&P 500's consistent earnings growth track record and technological leadership warrant a core strategic allocation, despite current valuations at 25x earnings. However, elevated valuations across global markets suggest **maintaining an overall neutral equity stance, while selectively diversifying beyond the dominant mega-cap tech leaders.** We identify three key opportunities for 2025:

01 **Positioning for a broader recovery:** Focus on quality companies with strong balance sheets outside technology, including attractively valued small caps poised for recovery.

02 **Investing in the next wave of innovation:** Target companies successfully deploying AI solutions across industries rather than fully-valued infrastructure providers. This "AI 2.0" phase may offer better risk-adjusted returns.

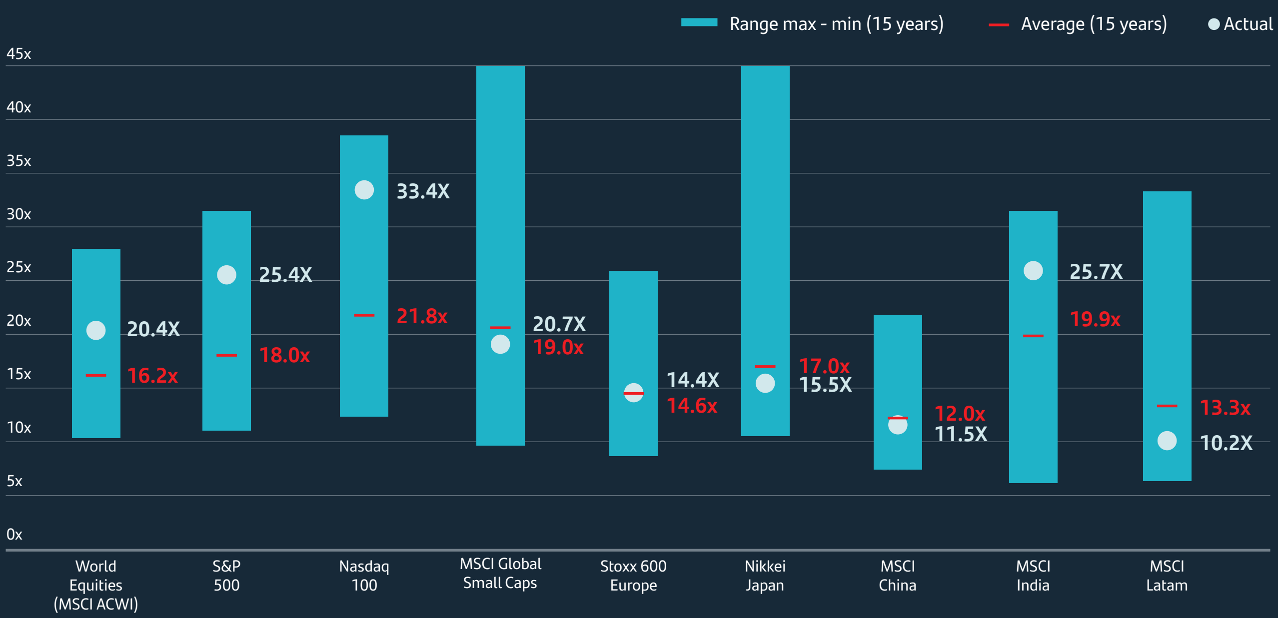
03 **Investing in the data and energy infrastructure behind AI:** Position in companies driving and enabling the massive multi-year investment in energy innovation, data centers and grid modernisation.

Geographic diversification into European and emerging markets offers additional value, with lower valuations compensating for modest growth prospects. Key opportunities include European industrials and renewables, India's domestic growth story, Latin American commodity and nearshoring advantages, and Asian markets benefiting from China's stimulus. This regional diversification not only reduces concentration risk but also positions portfolios to capture different economic cycles and secular trends beyond the U.S. tech narrative.

Valuation (Price/Earnings ratio) of selected equity markets compared with historical average

Source: Bloomberg. Data as of 31/10/2024

US exceptionalism (stronger growth and technology leadership) results in significant valuation premiums



2.2.1 Positioning for a broader recovery

The anticipated market recovery signals a significant shift away from concentrated tech leadership. The 'Magnificent Seven' mega-cap stocks (whose market capitalisation now exceeds the GDP of major countries, as shown below) should give way to broader market participation. Tech companies' exceptional earnings growth of 36% year-over-year in Q2 2024 is expected to moderate. This **moderation in the earnings growth gap (illustrated in the graph below) creates an environment where market performance becomes less dependent on a few dominant tech leaders.**

Equity market performance has been heavily concentrated in 2023 and 2024

To capitalise on this shift, investors could consider a diversified approach emphasizing **high-quality stocks with strong balance sheets and consistent profitability.** Companies characterised by robust cash flows, stable earnings, and proven ability to navigate economic cycles are well-positioned for this broadening recovery phase. These firms can provide both resilience and steady returns as markets transition from concentrated tech leadership to a more balanced earnings environment.

Broaden focus to quality stocks beyond tech for stable growth potential

Value and small-cap stocks offer particularly compelling opportunities, having lagged significantly during the extended tech rally. These market segments should benefit from both lower interest rates reducing financial costs and potential corporate tax cuts under the new Trump administration. The combination of attractive valuations and improving fundamentals creates a favourable setup for these previously overlooked segments.

We also favour **companies with strong shareholder return programs through dividends and buybacks.** Dividend-paying stocks provide reliable income stability, while active buyback programs demonstrate clear commitment to maximising shareholder value. Such companies typically reward investors well in stable market environments, aligning with our broader recovery thesis. This emphasis on capital returns becomes increasingly important as the market transitions to a more balanced growth environment.

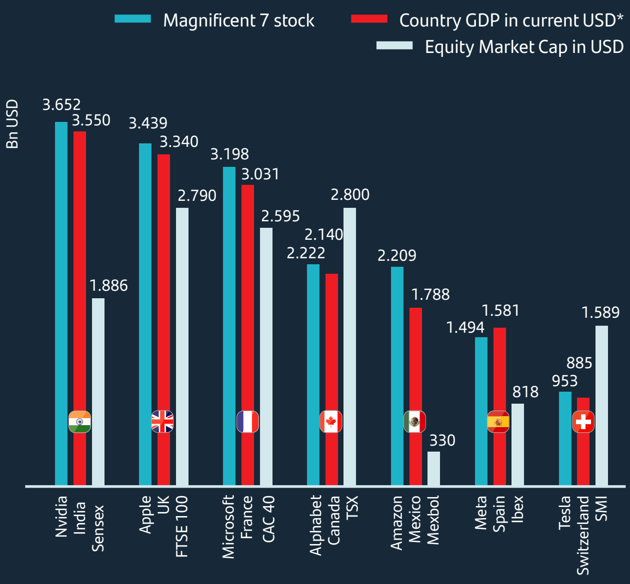
Trump´s reelection adds fuel to the broadening of the earnings recovery with potential tax cuts

Magnificent 7 (M7) stocks market capitilisation versus relevant country indexes and GDP

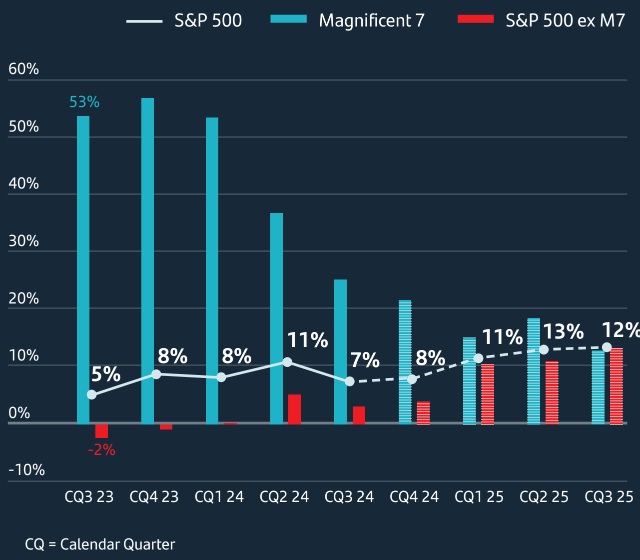
Source: Bloomberg

Concentration in equity markets and broadening of earnings recovery supports diversification

Market capitilisation of M7 vs. country indexes and GDP



Quarterly earnings growth (YoY%) of M7 stocks vs. rest of S&P 500 (493)



CQ = Calendar Quarter

2.2.2 Investing in the next wave of innovation

The technological revolution presents **compelling investment opportunities across artificial intelligence, robotics, renewable energy, and life sciences.** While market enthusiasm has driven high valuations for leading tech companies like Microsoft, Nvidia, and Alphabet, significant value lies in identifying the next generation of innovators beyond these established players. Current valuations in infrastructure providers suggest much of the near-term opportunity may be priced in.

Diversify portfolios by targeting industries integrating transformative technologies effectively

Amara's Law offers a crucial perspective: markets typically overestimate technology's immediate impact while undervaluing its long-term transformative power. Rather than focusing solely on infrastructure providers, investors should identify companies successfully implementing these technologies. Much like Amazon and Google created superior value by applying internet infrastructure to transform commerce and advertising, **tomorrow's leaders will be companies that effectively deploy AI, robotics, and clean energy solutions to solve real business challenges.**

Shift positioning from infrastructure providers towards AI 2.0. (adapters)

Success in technological adoption requires three key elements: sophisticated implementation of AI solutions across traditional industries, effective combination of multiple emerging technologies to create competitive advantages, and transformation of existing business models to capture new markets. These companies often trade at more reasonable valuations than technology providers while offering similar exposure to secular growth trends.

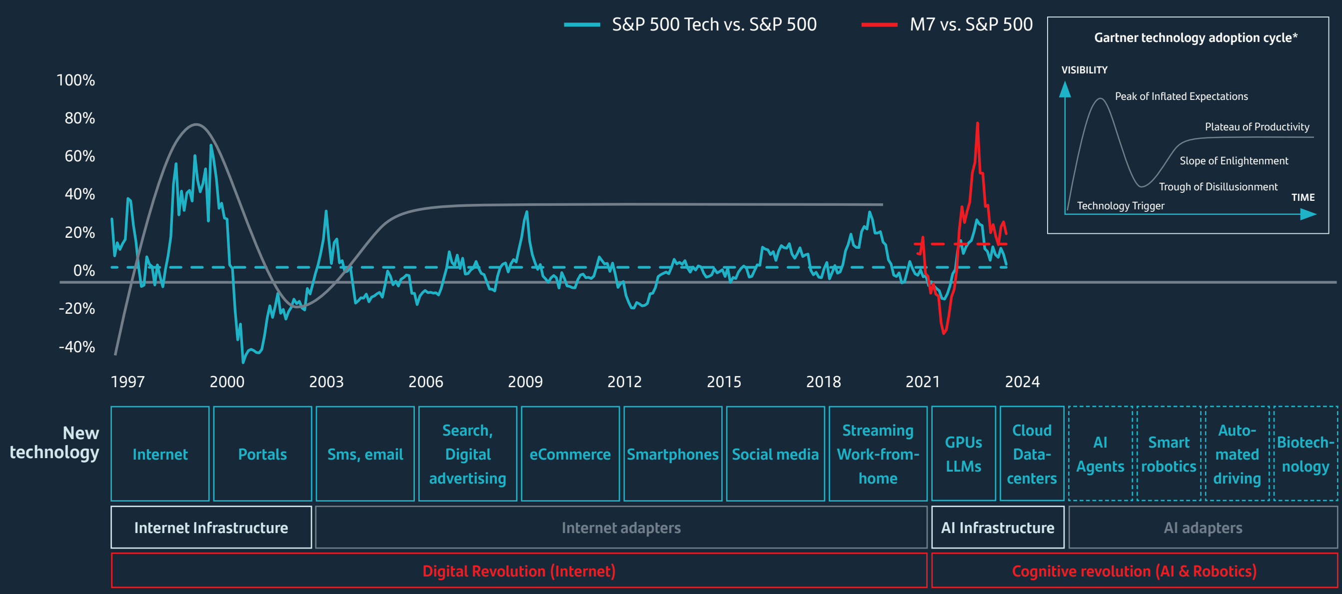
Active managers can identify these future winners by evaluating companies' proprietary data assets, existing competitive advantages, demonstrated ability to implement change, and clear paths to monetising technological investments. The most attractive opportunities often lie not with the technology creators but with **sophisticated adopters who leverage these innovations to drive productivity gains and revenue growth.** This approach provides exposure to technological transformation while potentially avoiding the valuation premiums currently attached to infrastructure providers, which in some cases exceed 30x forward earnings.

Focus on investing in companies that could benefit from either a boost to productivity or an increase in revenue

Year-on-year performance differential of the technology sector and the "Magnificent 7" (M7) vs. the S&P 500

Source: Bloomberg and Santander Private Banking. Data as of 11/07/2024

The next wave of value creation (AI 2.0): The adapters of AI



*The Gartner hype cycle is a graphical presentation developed, used and branded by the American research, advisory and information technology firm Gartner to represent the maturity, adoption, and social application of specific technologies.

2.2.3 Energy & data: powering AI

Artificial intelligence adoption is fundamentally boosting data center and energy infrastructure requirements, creating substantial investment opportunities. The surge in **AI computing demands is driving unprecedented growth in power consumption, with data centre energy usage projected to triple by 2030.** This expansion requires over 50 gigawatts of additional capacity in the United States alone, representing potential investments exceeding $500 billion[1].

The cognitive and industrial revolutions will demand a substantial expansion of data centres infrastructure

Meeting AI's energy demands requires a complete transformation of power generation and distribution systems. Industry estimates suggest $800 billion[2] in transmission and distribution network investments over the next decade. Beyond pure capacity expansion, this transformation demands enhanced efficiency and strategic location selection. Regions offering reliable, cost-effective power are emerging as prime destinations for **integrated data centre and energy infrastructure development.**

Investments in sustainable power sources and efficient grid expansion are crucial to meeting this demand

Environmental sustainability has become central to infrastructure strategies. Major technology companies' carbon reduction commitments are accelerating demand for renewable energy solutions. This creates compelling opportunities across solar and wind projects, grid moderisation initiatives, and energy storage systems. Infrastructure investments in this sector combine defensive characteristics - long-term contracts and regulated returns - with significant growth potential from continued AI adoption.

The investment opportunity spans multiple subsectors: data centres, power generation, transmission networks, and grid technology. Key focus areas include energy storage solutions, smart grid development, and efficiency technologies. Success requires understanding both the technological demands of AI and the evolving energy landscape. Investors can access this theme through specialised infrastructure funds, direct project investments, or carefully selected public market exposure to companies enabling this transformation.

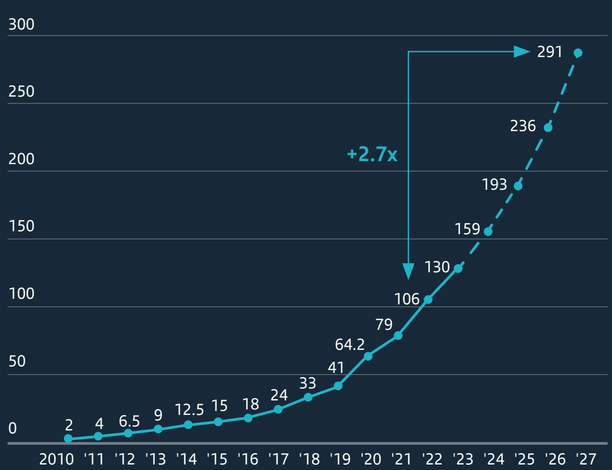
AI enables utilities to optimise grids for unprecedented power demands

Exponential growth of data and forecasts of energy demand for data centers

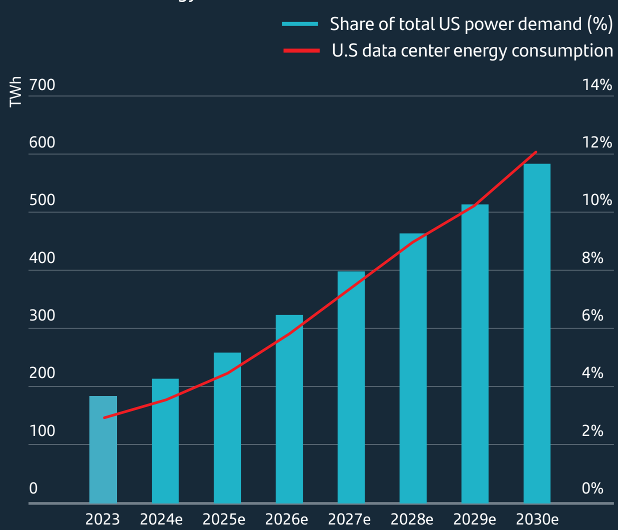
Source: Global Energy perspective 2023. McKinsey, October 2023 and Statista, Bernard Marr & Co.

The explosive growth of AI is fueling a data and energy infrastructure boom

Growth of global data generation (Zettabytes/year)



United States - Energy demand for data centers



1 Zettabyte = 1.000.000.000.000 Gigabytes

1 Terawatt = 1,000,000,000 of KWh
1 McKinsey Global Energy Perspectives 2023
2 IEA World Energy Outlook 2023

2.3 Diversifying beyond the traditional mix

Traditional balanced portfolios face challenges as elevated valuations in stocks and bonds offer limited upside amid potential volatility. A more diversified approach is our suggestion, incorporating private markets, real assets, hedge funds, structured products, and commodities. This broader asset mix provides additional resilience, inflation protection, and income stability. By adopting these strategies, investors can enhance returns and manage risks effectively in an increasingly complex and uncertain market environment.

Traditional balanced portfolios face challenges as elevated valuations in stocks and bonds offer limited upside amid potential volatility, with current market prices already discounting an optimistic soft-landing scenario and central bank easing. Historical analysis shows that during rate-cutting cycles, maintaining market exposure has proven more rewarding than holding cash, particularly in soft landing scenarios where balanced portfolios have consistently outperformed.

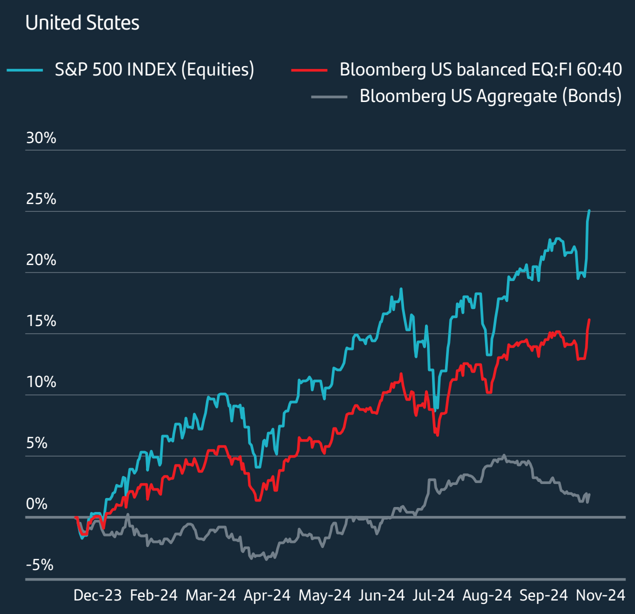
By **integrating alternatives—such as private equity, real estate, infrastructure, and macro hedge funds—portfolios can gain stability** and tap into unique return streams less correlated with public markets, while maintaining exposure to market upside potential. Real assets offer potential growth and income, especially through stable rental yields in real estate or critical infrastructure tied to digitalization and the energy transition, providing both portfolio diversification and participation in long-term structural trends.

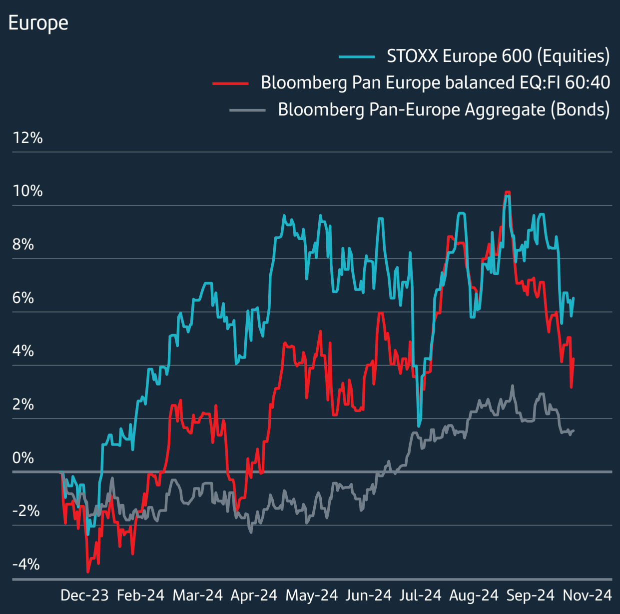
Additionally, safe-haven assets like gold and strategic commodities add **layers of protection against geopolitical and inflationary risks.** With increasing central bank demand for **gold,** alongside rising interest in essential commodities, investors can secure more stable value through tangible assets. **Structured products** further allow tailored downside protection while retaining some upside. This **expanded asset allocation strategy enhances portfolio resilience,** equipping clients to navigate both volatility and opportunities in an evolving global landscape. By moving beyond traditional balanced allocations, investors can better position themselves for both protection and opportunity in an increasingly uncertain world. The combination of uncorrelated return streams from private markets, inflation protection from real assets, downside mitigation through structured products, and strategic diversification via commodities and gold creates a more robust portfolio structure that can potentially weather various market environments while maintaining participation in long-term growth trends.

Performance of traditional balanced portfolios (60% equities and 40% bonds)

Source: Bloomberg

Diversified portfolios have rallied on the back of equity markets





2.3.1 Pivot towards private markets

Private markets have become fundamental to how companies raise capital and create value in today's economy. The significant decline in IPOs over the past decade reflects this transformation, as companies can now access substantial funding through private channels - including venture capital, private equity, private debt, and infrastructure investment - allowing them to scale significantly before considering public listings. Private debt has emerged as a vital funding source, offering companies flexible alternatives to traditional bank financing, while infrastructure investments provide exposure to essential assets with stable returns driven by digitalisation and sustainability trends. This evolution has created distinctive investment opportunities beyond what public markets typically offer, leading institutional investors to boost their private market allocations from 17% to 27% over the past decade.

Private markets have grown significantly and offer unique investment opportunities not available on listed markets

Access to private markets has improved through innovative investment vehicles. Evergreen funds and secondaries provide alternatives to traditional closed-end structures, featuring regular liquidity opportunities, reduced J-curve effects, vintage year diversification, and greater portfolio management flexibility. The current environment appears particularly favourable for private market investment, given reset valuations due to higher rates, normalised fundraising levels reducing competition, robust deal flow as companies defer public listings, and expanding opportunities in growth sectors like AI, healthcare, and sustainability.

With innovative companies delaying IPOs, private markets have become essential for capturing early value

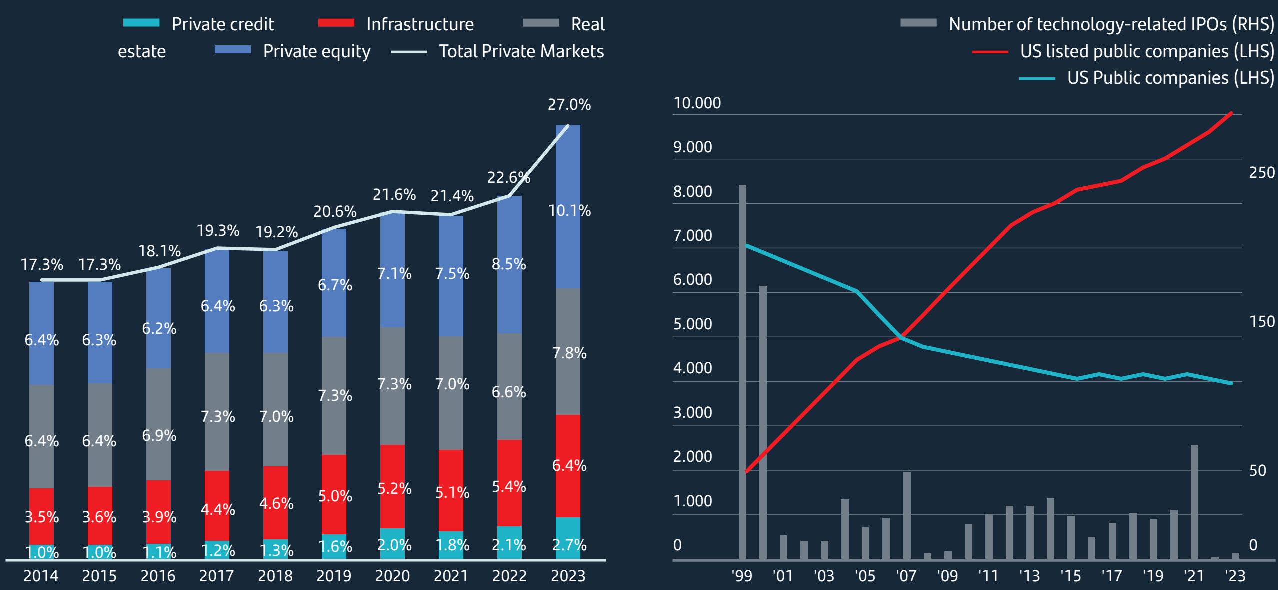
For successful private market investing, investors should consider focusing on **four key principles: maintain consistent exposure, prioritise manager selection, embrace diversification, and consider newer investment structures.** A steady commitment strategy across market cycles historically delivers superior results compared to tactical timing approaches. Manager selection has become increasingly crucial as performance dispersion grows between top and bottom quartiles. Geographic and strategic diversification helps optimise risk-adjusted returns. Finally, exploring flexible structures like evergreen funds can streamline portfolio management while maintaining private market exposure. **While private markets require patience and expertise, they continue to offer compelling opportunities for investors who take a systematic, well-diversified approach focused on accessing premier managers.**

Innovative structures like evergreen funds and secondaries improve liquidity and accessibility

Institutional investors´ allocation to private markets and evolution of IPOs

Source: McKinsey Global Private Markets Review 2024. March 2024

Private markets are growing and offer unique diversification benefits



2.3.2 Increase exposure to real assets

Despite recent underperformance due to rising interest rates, real estate and infrastructure remain vital asset classes in private banking portfolios. These assets exhibit lower correlations with traditional equity and bond markets, making them valuable tools for portfolio diversification, especially during market volatility. **Real estate provides stable rental income, while infrastructure offers essential services, both delivering predictable cash flows** and acting as natural hedges against inflation through contractually linked income streams. Infrastructure's resilience across economic cycles reinforces its role as a foundational asset class, effectively complementing traditional investments.

Real estate and infrastructure offer diversification, inflation hedges and steady cash flows

The outlook for real estate and infrastructure over the next 12 months has improved, supported by key macroeconomic factors. The recent **global decline in interest rates has lowered financing costs, previously a constraint on real asset investments.** For leveraged investors, reduced debt costs improve returns, potentially driving renewed activity in real estate markets. Additionally, a more stable interest rate environment could boost cross-border capital flows, increasing the attractiveness of real estate and infrastructure assets. **Rental growth** in real estate, supported by stable or declining vacancy rates, is expected to continue outpacing inflation in high-quality assets, offering appealing returns for investors.

Lower rates, rising demand for sustainable infrastructure and rental growth drive strong investment opportunities

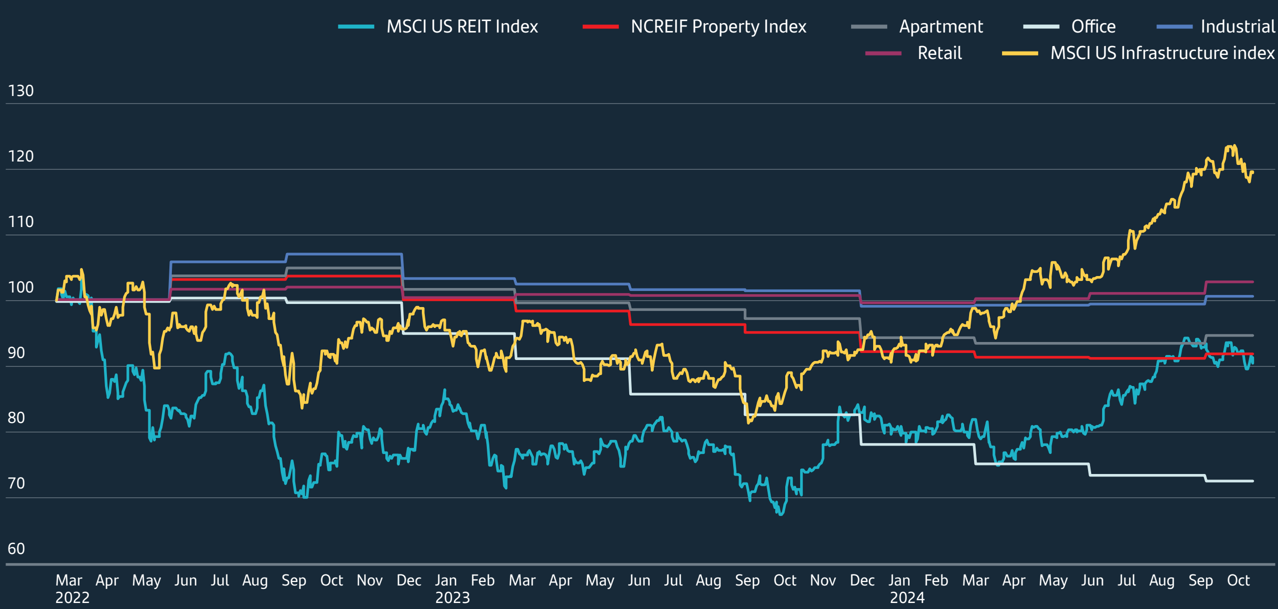
Certain real estate sectors, such as logistics, residential, and select retail, are positioned for strong performance, driven by structural trends like e-commerce growth and demographic changes. High construction and land costs are reducing development margins, limiting new supply—particularly in the residential market—while sustaining upward pressure on rents as more households opt to rent over buy. Infrastructure stands to gain from the digital transformation and energy transition. **Demand is rising in sectors like data centres and renewable energy infrastructure,** further supported by policy initiatives such as the U.S. Inflation Reduction Act, which enhances investment opportunities in sustainable infrastructure.

Macro trends support logistics, residential and renewable energy sectors for robust future growth

Correction in real estate prices evidenced by REIT and real estate indexes seems to have ended

Source: Bloomberg. Data as of 31/10/2024

REITs already troughed and property prices have stablised in most markets



REIT: Real Estate Investment Trust

2.3.3 Hedge against a polarised and fragile world

In today's geopolitical landscape, marked by rising tensions and economic uncertainty, investors should **consider enhancing portfolio resilience through complementary strategies.** Three key approaches warrant focus: structured protection strategies, gold allocation, and diversification into commodities and markets aligned with global realignment.

Enhance resilience of portfolios with structured products to increase optionality and protection

First, **structured products and options** offer downside protection while retaining upside potential. These tools help manage volatility spikes and limit risks, allowing investors to benefit from market gains. This "insurance-like" approach is increasingly valuable as traditional asset correlations weaken during stress periods. Additionally, incorporating **long-short hedge funds adds diversification** and reduces dependence on directional markets, strengthening portfolio resilience.

Gold remains a safe haven amid geopolitical tensions and economic uncertainty

Second, **gold remains a reliable portfolio stabliser and safe-haven asset.** Central banks have recently added over 1,000 tons to reserves in both 2022 and 2023, reflecting concerns about the "weaponisation" of the global financial system, such as the freezing of Russian foreign reserves. Investment in gold continues to grow, as its role as a hedge against geopolitical instability and currency debasement is particularly relevant in the current climate.

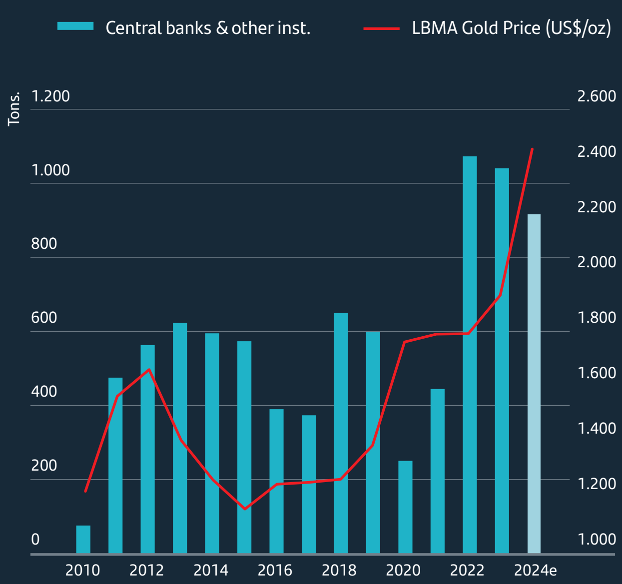
Commodities offer opportunities for portfolio diversification in a multipolar world

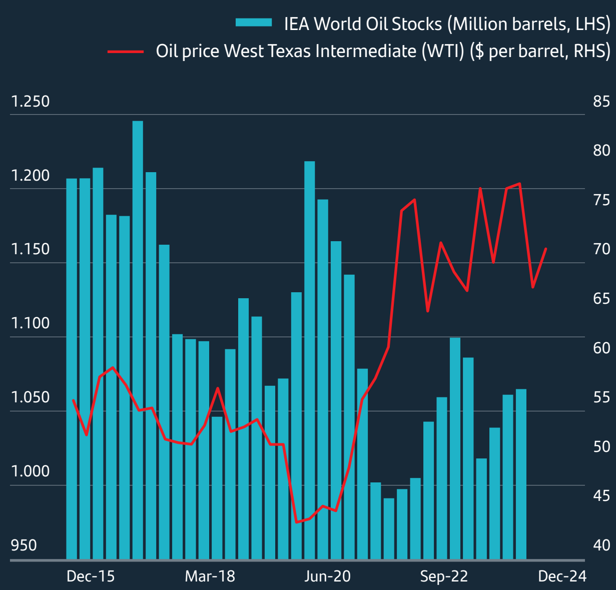
Finally, **strategic diversification into commodities and countries like India and Mexico provides opportunities amid U.S.-China tensions and growth in reshoring.** India offers exposure to a rapidly growing domestic market and tech capabilities, while Mexico benefits from nearshoring trends and automotive/electronics manufacturing shifts. As the world becomes more multipolar, certain commodities and markets gain prominence. Nations with critical minerals, advanced technologies, or strategic trade roles offer valuable diversification. Additionally, commodities essential for the energy transition and technological development can protect and enhance portfolio value.

The value of active investing in a shifting landscape: Gold and oil

Source: World Gold Council , IEA and Bloomberg. Data as of 30/10/2024

Diversifying into strategic commodities can improve portfolio resilience in a more fragile world





Appendix: Tables.

Historical returns of main asset classes.

Source: Bloomberg and Santander.

Data as of 31/11/2024

	Returns						Annualised returns		
	2019	2020	2021	2022	2023	2024	3 years	5 years	10 years
Short-term (USD) [(1)]	**2.2%**	**0.4%**	**0.1%**	**1.7%**	**5.2%**	**4.8%**	**3.9%**	**2.4%**	**1.8%**
Short-term (EUR) [(2)]	**-0.4%**	**-0.5%**	**-0.5%**	**0.1%**	**3.4%**	**3.4%**	**2.3%**	**1.2%**	**0.4%**
Global Fixed Income [(3)]	**6.8%**	**9.2%**	**-4.7%**	**-16.2%**	**5.7%**	**-0.8%**	**-4.3%**	**-1.6%**	**0.2%**
Fixed Income (USD) [(4)]	**8.7%**	**7.5%**	**-1.5%**	**-13.0%**	**5.5%**	**1.5%**	**-2.3%**	**-0.2%**	**1.5%**
Sovereign (USD) [(5)]	5.2%	5.8%	-1.7%	-7.8%	4.3%	2.0%	-0.6%	0.4%	1.2%
Corporates (USD) [(6)]	14.5%	9.9%	-1.0%	-15.8%	8.5%	2.7%	-2.0%	0.6%	2.6%
High Yield (USD) [(7)]	14.3%	7.1%	5.3%	-11.2%	13.4%	8.1%	3.1%	4.7%	5.0%
Fixed Income (EUR) [(8)]	**6.0%**	**4.0%**	**-2.9%**	**-17.2%**	**7.2%**	**2.2%**	**-3.5%**	**-1.8%**	**0.4%**
Sovereign (EUR) [(9)]	6.8%	5.0%	-3.5%	-18.5%	7.1%	1.4%	-4.3%	-2.3%	0.4%
Corporates (EUR) [(10)]	6.2%	2.8%	-1.0%	-13.6%	8.2%	4.3%	-1.1%	-0.2%	1.1%
High Yield (EUR) [(11)]	12.3%	1.8%	4.2%	-11.1%	12.8%	8.1%	2.7%	3.2%	3.8%
Emerging Global Fixed Income (USD) [(12)]	**13.1%**	**6.5%**	**-1.7%**	**-15.3%**	**9.1%**	**6.9%**	**-0.4%**	**1.0%**	**3.0%**
LatAm (USD) [(13)]	12.3%	4.5%	-2.5%	-13.2%	11.1%	10.5%	2.3%	2.4%	3.3%
MSCI World (USD)	**27.7%**	**15.9%**	**21.8%**	**-18.1%**	**23.8%**	**20.6%**	**7.0%**	**12.5%**	**10.1%**
S&P 500 (USD)	31.5%	18.4%	28.7%	-18.1%	26.3%	26.9%	10.2%	15.9%	13.4%
MSCI Europe (EUR)	23.8%	5.4%	16.3%	-15.1%	19.9%	3.0%	1.6%	6.2%	5.0%
MSCI Emerging Markets (USD)	18.4%	18.3%	-2.5%	-20.1%	9.8%	10.1%	-2.4%	3.6%	3.5%
MSCI Asia Pac. ex-Japan (USD)	19.2%	22.4%	-2.9%	-17.5%	7.4%	12.9%	-1.2%	4.8%	4.6%
MSCI Latin America (USD)	17.5%	-13.8%	-8.1%	8.9%	32.7%	-17.6%	5.5%	0.8%	0.7%

[(1)] Barclays Benchmark Overnight USD Cash Index; [2)] Barclays Benchmark 3mEUR Cash Index; [3)] Bloomberg Barclays Global Aggregate Total Return Index Value Unhedged USD; [4)] Bloomberg Barclays US Agg Total Return Value Unhedged USD; [5)] Bloomberg Barclays US Intermediate Treasury TR Index Value Unhedged SD; [6)] Bloomberg Barclays US Corporate Total Return Value Unhedged USD; [7)] Bloomberg Barclays US Corporate High Yield Total Return Value Unhedged USD; [8)] Bloomberg Barclays EuroAgg Total Return Index Value Unhedged EUR; [9)] Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR; [10)] Bloomberg Barclays Euro Aggregate Corporate Total Return Index Value Unhedged EUR; [11)] Bloomberg Barclays Pan-European Aggregate High Yield TR Index Value Unhedged EUR; [12)] Bloomberg Barclays EM Aggregate Total Return Value Unhedged USD; [13)] Bloomberg Barclays Emerging Markets LatAm Total Return Value Unhedged USD

Equities indices.

Source: Bloomberg and Santander.

Data as of 31/11/2024

		Last Price	Change 12 months	Last 10 years Low	Last 10 years Range	Last 10 years High	Return 2022	Return 2023	Return 2024	Annualised return 3 years	Annualised return 5 years	Annualised return 10 years
US	S&P 500	5,984		1,920		5.984	-19.4%	24.2%	25.5%	8.5%	14.1%	11.4%
	DOW JONES INDUS.	43,911		16,285		43.911	-8.8%	13.7%	16.5%	6.7%	9.6%	9.6%
	NASDAQ	19,281		4,558		19.281	-33.1%	43.4%	28.4%	6.7%	17.9%	15.2%
Europe	Stoxx 50	502		2,701		4.551	-12.9%	12.7%	4.9%	1.1%	4.4%	4.1%
	Eurozone (EuroStoxx)	4,754		2,787		5.083	-11.7%	19.2%	5.1%	2.8%	5.2%	4.5%
	Spain (IBEX 35)	11,426		6,452		11.877	-5.6%	22.8%	13.1%	8.0%	4.5%	1.2%
	France (CAC 40)	7,242		4,237		8.206	-9.5%	16.5%	-4.0%	0.7%	4.2%	5.6%
	Germany (DAX)	19,094		9,495		19.325	-12.3%	20.3%	14.0%	5.9%	7.7%	7.5%
	United Kingdom (FTSE 100)	8,043		5,577		8.377	0.9%	3.8%	4.0%	3.1%	2.0%	1.9%
	Italy (MIB)	33,762		16,198		34.750	-13.3%	28.0%	11.2%	6.8%	7.5%	5.9%
	Portugal (PSI 20)	6,356		3,945		6.871	2.8%	11.7%	-0.6%	3.4%	3.8%	2.1%
	Switzerland (SMI)	11,704		7,808		12.876	-16.7%	3.8%	5.1%	-2.2%	2.7%	2.8%
LatAm	Mexico (MEXBOL)	51,097		34,555		57.386	-9.0%	18.4%	-11.0%	-0.2%	3.4%	1.7%
	Brazil (IBOVESPA)	127,698		40,406		136.004	4.7%	22.3%	-4.8%	6.3%	3.7%	9.4%
	Argentina (MERVAL)	2,012,041		8,490		2.012.041	142.0%	360.1%	116.4%	176.7%	130.4%	70.4%
	Chile (IPSA)	6,509		3,487		6.644	22.1%	17.8%	5.0%	13.2%	7.7%	5.2%
Asia	Japan (NIKKEI)	38,722		15,576		40.369	-9.4%	28.2%	15.7%	9.4%	10.8%	8.3%
	Hong Kong (HANG SENG)	19,823		14,687		32.887	-15.5%	-13.8%	16.3%	-7.8%	-5.5%	-1.9%
	South Korea (KOSPI)	2,417		1,755		3.297	-24.9%	18.7%	-9.0%	-6.6%	2.5%	2.2%
	India (Sensex)	77,691		23,002		84.300	4.4%	18.7%	7.5%	8.6%	14.0%	10.7%
	China (CSI)	4,111		2,877		5.352	-21.6%	-11.4%	19.8%	-5.6%	1.0%	4.8%
World	MSCI WORLD	3,773		1,547		3.773	-19.5%	21.8%	19.1%	5.4%	10.7%	8.2%

Equities by style and sector.

Source: Bloomberg and Santander.

Data as of 13/11/2024

			Change	Last 10 years			Return			Annualised return			Ratios	
		Last Price	12 months	Low	Range	High	2022	2023	2024	3 years	5 years	10 years	PE Ratio	Divi-dend Yield
	MSCI World	11,919		4,204		11,919	-18.1%	23.8%	20.6%	7.0%	12.5%	10.1%	21.69	1.72
Style	MSCI World High Dividend Yield	2,782		1,352		2,868	-4.7%	9.1%	11.2%	6.0%	6.8%	6.5%	15.13	3.52
	MSCI World Momentum	4,760		1,454		4,760	-17.8%	11.8%	32.4%	5.9%	13.3%	12.5%	22.32	1.68
	MSCI World Quality	5,105		1,456		5,114	-22.2%	32.4%	22.2%	8.2%	15.3%	13.0%	26.31	1.27
	MSCI World Minimum Volatility	5,254		2,510		5,286	-9.8%	7.4%	14.6%	4.4%	6.0%	7.7%	18.97	2.24
	MSCI World Value	14,304		6,429		14,345	-6.5%	11.5%	16.0%	7.0%	8.6%	7.0%	16.11	2.78
	MSCI World Small Cap	738		318		738	-18.8%	15.8%	12.8%	0.6%	8.4%	8.0%	20.93	1.96
	MSCI World Growth	11,755		3,389		11,755	-29.2%	37.0%	25.0%	6.5%	15.6%	12.8%	32.04	0.74
Sector	Energy	503		164		508	46.0%	-2.5%	9.3%	17.0%	10.2%	3.4%	11.75	4.01
	Materials	597		229		649	-10.7%	-12.9%	1.4%	1.8%	8.6%	6.9%	18.53	2.52
	Industrials	649		238		649	-13.2%	-18.8%	19.1%	8.0%	10.9%	9.6%	21.92	1.68
	Consumer Discretionary	623		225		623	-33.4%	-26.0%	16.4%	1.0%	11.9%	10.9%	21.44	1.22
	Consumer Staples	478		273		504	-6.1%	-2.3%	7.1%	2.2%	5.2%	5.8%	19.78	2.77
	Health Care	548		246		598	-5.4%	-3.6%	7.8%	3.0%	9.1%	8.1%	21.92	1.64
	Financials	345		125		345	-10.2%	-13.9%	28.8%	9.5%	11.7%	8.8%	13.65	2.70
	Information Technology	959		152		959	-30.8%	-34.8%	32.6%	12.7%	22.8%	19.9%	34.02	0.65
	Real Estate	2,145		1,283		2,450	-25.9%	-9.2%	7.3%	-2.1%	2.8%	4.9%	35.83	3.41
	Communica-tion Services	247		106		247	-36.9%	-31.3%	32.1%	5.1%	11.9%	7.9%	20.51	1.17
	Utilities	364		186		384	-4.7%	-0.3%	16.3%	5.8%	6.0%	6.3%	16.62	3.40

Government Bonds.

Source: Bloomberg and Santander.

Data as of 13/11/2024

	Rating (S&P)	Interest rate			10 years: Change	10 years: Last 10 years			10 years: Interest rates change (bp) 10 years		Yield curve steepness
		C. Bank*	2 years	10 years	12 months	Low	Range	High	Month	YtD	10-2 years
Developed											
U.S.	AA+	5.00%	4.34%	4.41%		0.53%		4.93%	53	9	0.07
Germany	AAA	3.50%	2.16%	2.38%		-0.70%		2.84%	36	-6	0.22
France	AA-	3.50%	2.39%	3.16%		-0.40%		3.43%	60	14	0.77
Italy	BBB	3.50%	2.68%	3.67%		0.54%		4.78%	-4	-57	0.99
Spain	A	3.50%	2.47%	3.13%		0.05%		3.93%	14	-34	0.66
United Kingdom	AA	5.00%	4.51%	4.52%		0.10%		4.52%	98	34	0.01
Greece	BBB-	3.50%	2.21%	3.27%		0.61%		15.42%	21	-42	1.06
Portugal	A-	3.50%	2.24%	2.88%		0.03%		4.19%	22	-26	0.63
Switzerland	AAA	1.25%	0.27%	0.37%		-1.05%		1.58%	-29	-46	0.10
Japan	A+	0.25%	0.53%	1.05%		-0.27%		1.07%	44	38	0.52
Emerging Markets											
Brazil	BB	10.75%	13.38%	12.81%		6.49%		16.51%	245	191	-0.57
Mexico	BBB	10.75%	10.14%	10.10%		5.24%		10.20%	114	69	-0.04
Chile	A	5.50%	5.05%	5.71%		2.19%		6.79%	24	-11	0.66
Argentina	CCC	40.00%	n.d.	n.d.		0.00%		0.00%	n.d.	n.d.	n.d.
Colombia	BB+	10.75%	8.52%	10.78%		5.39%		13.79%	82	-2	2.26
Turkey	B+	50.00%	39.15%	28.16%		6.98%		28.47%	450	387	-10.99
Poland	A-	5.75%	5.04%	5.76%		1.16%		8.37%	55	24	0.72
China	A+	2.29%	1.42%	2.07%		2.07%		3.91%	-49	-62	0.65
India	BBB-	6.50%	6.72%	6.84%		5.84%		8.02%	-34	-44	0.13

*Central Bank lending facility, except in Eurozone countries, where the marginal deposit facility is used.

Currencies.

Source: Bloomberg and Santander.

Data as of 13/11/2024

		Change	Last 10 years				Annualised return		
	Last Price	12 months	Low	Range	High	2024	3 years	5 years	10 years
EUR/USD	1.0624		0.98		1.24	-3.8%	-2.5%	-0.7%	-1.6%
EUR/GBP	0.83		0.70		0.92	4.0%	-0.8%	-0.5%	0.4%
EUR/CHF	0.94		0.93		1.20	-1.0%	4.0%	3.0%	2.5%
EUR/JPY	165		114		172	5.7%	-7.5%	-6.2%	-1.2%
EUR/PLN	4.34		4.04		4.86	0.0%	2.2%	-0.3%	-0.3%
GBP/USD	1.27		1.12		1.57	0.1%	-1.7%	-0.2%	-2.0%
USD/CHF	0.88		0.84		1.03	-4.7%	1.4%	2.3%	0.8%
USD/JPY	155		101		161	-8.9%	-9.7%	-6.9%	-2.8%
USD/MXN	20.48		14.75		24.17	-17.1%	0.1%	-1.2%	-4.1%
USD/ARS	997.80		8.47		997.80	-19.0%	-53.5%	-43.1%	-37.9%
USD/CLP	985		594		985	-10.8%	-6.7%	-4.0%	-4.9%
USD/BRL	5.76		2.66		5.79	-15.6%	-1.8%	-6.2%	-7.6%
USD/COP	4,452		2,376		4,940	-13.4%	-4.4%	-5.0%	-7.0%
USD/CNY	7.21		6.20		7.32	-1.5%	-4.0%	-0.5%	-1.6%
EUR/SEK	11.57		9.17		11.88	-3.8%	-4.7%	-1.6%	-2.2%
EUR/NOK	11.77		8.45		11.97	-4.6%	-5.4%	-3.0%	-3.2%

Commodities.

Source: Bloomberg and Santander.

	Last	Change	Last 10 years			Return			Annualised return		
	Price	12 months	Low	Range	High	2022	2023	2024	3 years	5 years	10 years
Crude Oil (Brent)	72.9		18		124	5.5%	-4.6%	-6.0%	-3.9%	3.0%	-0.5%
Crude Oil (W. Texas)	68.8		19		115	6.7%	-10.7%	-4.0%	-5.2%	3.9%	-1.0%
Gold	2,614.0		1,060		2,749	-0.1%	13.4%	26.2%	11.8%	12.1%	8.2%
Copper	9,142.0		4,561		10,375	-13.9%	2.2%	6.8%	-2.0%	9.5%	3.1%
CRB Index	279.4		117		317	19.5%	-5.0%	5.9%	5.6%	9.2%	0.5%
Natural Gas (USA)	2.9		3		6	33.5%	-32.4%	-18.6%	-5.7%	1.0%	-5.5%
Natural Gas (Europe)	43.4		15		107	8.5%	-57.6%	34.0%	-16.9%	22.6%	6.9%

"Periodic table" for asset returns

		Calendar Year Returns										
Asset Class	Reference Index	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
US Equities	S&P 500 TR	16.7% Spain Government	12.1% Japan Equities	14.8% Global High Yield	37.3% Emerging Markets Equities	2.6% Spain Government	31.5% US Equities	18.4% US Equities	38.5% Commodities	22.0% Commodities	28.3% Japan Equities	26.9% US Equities
Japan Equities	Topix TR	13.7% US Equities	6.4% Europe Equities	12.0% US Equities	22.4% Global Equities	2.4% Eurozone Government	28.2% Europe Equities	18.3% Emerging Markets Equities	28.7% US Equities	0.1% Liquidity EUR	28.0% Spain Equities	20.6% Global Equities
Spain Equities	Ibex35 TR	10.3% Eurozone Government	1.6% Spain Government	11.2% Emerging Markets Equities	22.2% Japan Equities	-0.4% Liquidity EUR	27.7% Global Equities	15.9% Global Equities	23.2% Europe Equities	-2.0% Spain Equities	26.3% US Equities	17.9% Spain Equities
Emerging Markets Equities	MSCI EM TR	10.3% Japan Equities	1.4% US Equities	9.7% Commodities	21.8% US Equities	-1.2% Europe IG	18.4% Emerging Markets Equities	8.0% Global High Yield	21.8% Global Equities	-2.5% Japan Equities	23.8% Global Equities	17.0% Japan Equities
Europe Equities	Eurostoxx50 TR	8.6% Spain Equities	0.3% Eurozone Government	7.5% Global Equities	11.3% Spain Equities	-3.3% Global High Yield	18.1% Japan Equities	7.4% Japan Equities	12.7% Japan Equities	-9.5% Europe Equities	22.2% Europe Equities	10.8% Commodities
Commodities	RJ/CRB Total Return Index	8.3% Europe IG	-0.1% Liquidity EUR	4.8% Europe IG	10.2% Global High Yield	-4.4% US Equities	16.6% Spain Equities	4.4% Spain Government	10.8% Spain Equities	-13.2% Global High Yield	13.4% Global High Yield	10.70% Emerging Markets Equities
Global Equities	MSCI World TR	4.9% Global Equities	-0.5% Europe IG	4.2% Spain Government	9.2% Europe Equities	-8.7% Global Equities	13.7% Global High Yield	3.0% Eurozone Government	1.4% Global High Yield	-14% Europe IG	9.80% Emerging Markets Equities	7.8% Global High Yield
Europe IG	ERL0 TR	4.0% Europe Equities	-0.9% Global Equities	4.0% Eurozone Government	2.5% Europe IG	-10.7% Commodities	11.8% Commodities	2.7% Europe IG	-0.5% Liquidity EUR	-17.7% Spain Government	8.0% Europe IG	7.5% Europe Equities
Liquidity EUR	Eonia TR	0.1% Liquidity EUR	-3.5% Spain Equities	3.7% Europe Equities	1.7% Commodities	-11.5% Spain Equities	8.6% Spain Government	-0.5% Liquidity EUR	-1.1% Europe IG	-17.8% Eurozone Government	6.9% Spain Government	4.2% Europe IG
Global High Yield	HW00 TR	-0.1% Global High Yield	-4.2% Global High Yield	2.6% Spain Equities	1.1% Spain Government	-12.0% Europe Equities	6.3% Europe IG	-3.2% Europe Equities	-2.50% Emerging Markets Equities	-18.1% US Equities	5.6% Eurozone Government	3.4% Liquidity EUR
Spain Government	SPAIN 10 YR	-2.2% Emerging Markets Equities	-14.9% Emerging Markets Equities	0.3% Japan Equities	-0.4% Liquidity EUR	-14.6% Emerging Markets Equities	3.0% Eurozone Government	-9.3% Commodities	-2.7% Eurozone Government	-18.1% Global Equities	3.4% Liquidity EUR	2.5% Spain Government
Eurozone Government	GERMANY 10 YR	-17.9% Commodities	-23.4% Commodities	-0.3% Liquidity EUR	-1.4% Eurozone Government	-16.0% Japan Equities	-0.4% Liquidity EUR	-12.7% Spain Equities	-3.1% Spain Government	-20.1% Emerging Markets Equities	22.0% Commodities	0.3% Eurozone Government

+ Returns -

*Data as of 31/11/2024
Total return indices track both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index.

Global CIO Office. Investment Strategy

Santander Private Banking

Private Banking

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