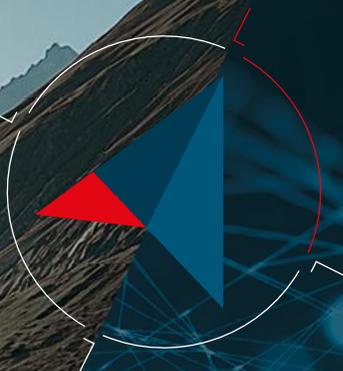


COMPASS



Ad Hoc GAAC - TAA Strategy

March 17th, 2026

Key Takeaways & Decisions

Core message

We are not changing our regime, given current balance of risks we tactically revise the scenarios probabilities. Our base case remains a resilient expansion with only a temporary energy-driven inflation shock. However, the uncertainty around the duration of the Strait of Hormuz disruption has increased short-term asymmetry in market pricing.

What has changed

The temporary closure of the Strait of Hormuz, has led to a sharp increase in oil prices and **heightened uncertainty** in global markets. At this stage, **visibility is very limited**, particularly regarding the **duration of the disruption**, which makes it difficult to assess its full economic impact. While visibility remains limited, the **immediate impact is clearly inflationary**, driven by higher energy prices. However, we currently see this as a direct, first-round effect, and not as the beginning of a more persistent inflationary process driven by second-round effects. At the same time, assuming the conflict does not escalate further, we expect the impact on growth to remain limited.

What we are doing

We are tactically trimming risk and rebalancing exposures to better align with this asymmetry and holding cash to act quickly when visibility is improved.

This is not a regime shift, but a positioning adjustment to manage short-term asymmetry in a low-visibility environment.



One TAA Proposal Change: Trimming Risk on high short term uncertainty and asymmetry

Government Bonds (Govts): We further reduce exposure to government bonds, maintaining a **short duration bias**.

Credit: We tactically reduce exposure to credit. The adjustment is driven by **valuation and asymmetry considerations**, rather than a deterioration in our core macro view.

Equities: We reduce overall equity exposure reflecting **higher uncertainty and less favorable short-term risk/reward**, while maintaining our constructive medium-term view. The adjustment is tactical, aimed at managing **near-term volatility and preserving flexibility**. Within equities, we prefer **U.S. and selected developed markets**, maintain preference for **cyclical sectors with pricing power** (e.g. Industrials, Materials) and energy, and reduce exposure to **consumer-related sectors**, which are more vulnerable to higher energy costs.

Commodities: We complement this with **diversified commodity exposure (including precious and agricultural)** as a hedge against inflation uncertainty and to improve portfolio resilience in a low-visibility environment.

FX (USD): We move from an underweight to a neutral USD stance, scaling back our pro-cyclical positioning.

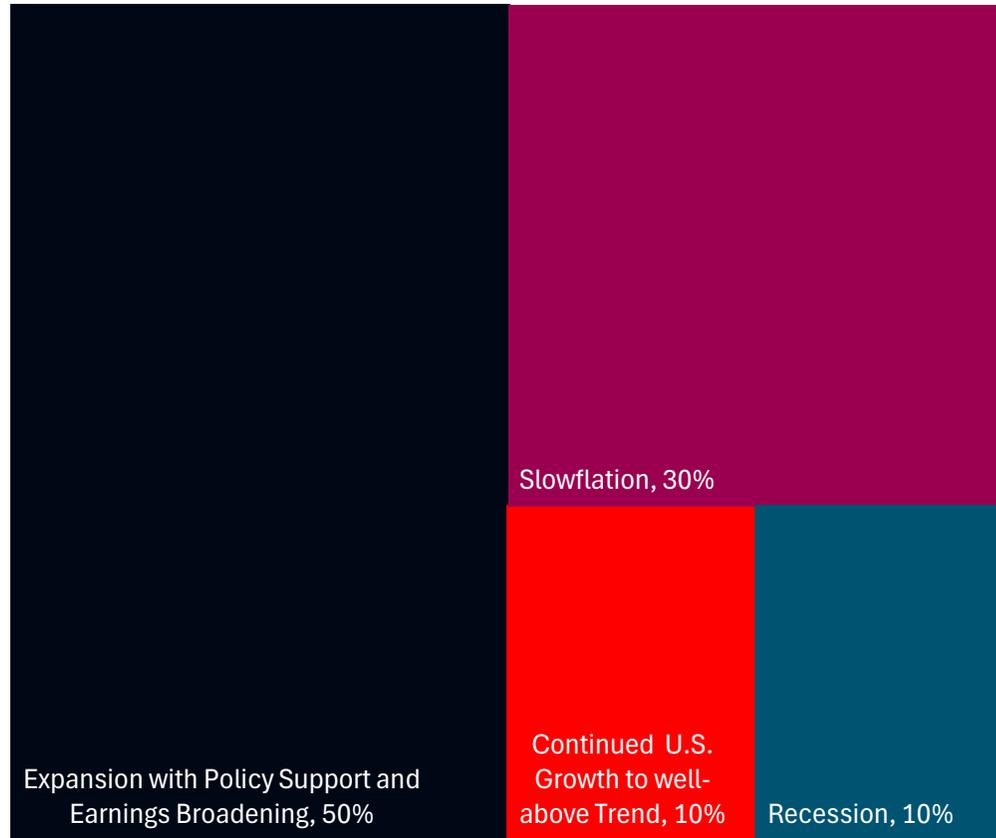
One TAA

■ OW+ ■ OW ■ N ■ UW ■ UW-

	Fixed Income					Equities		FX			Commodities			
	Govt. Bonds		Credit		EMD	DM	EM	EUR	JPY	GBP	Energy	Precious	Agricultural	Industrials
	Cash	DM Bonds	IG	HY	EM Bonds	DM	EM	EUR	JPY	GBP	Energy	Precious	Agricultural	Industrials
Previous (26/02/2026)	UW-	UW	OW	OW	OW	OW	OW	OW	N	OW	N	OW	N	OW
Current (17/03/2026)	OW+	UW-	N	N	N	N	N	N	N	N	OW+	OW+	OW+	OW+
Change	↑	↓	↓	↓	↓	↓	↓	↓	→	↓	↑	→	↑	→



Investment Scenarios



Our scenario framework remains anchored in a resilient expansion, which we continue to assign the highest probability at 50%, supported by stable growth, broadly contained financial conditions and ongoing earnings resilience.

However, the recent escalation in the Middle East, and the associated increase in oil prices, have led us **to increase the probability of a short-term slowflation scenario to 30%**, reflecting the direct inflationary impact of higher energy prices combined with some moderation in growth momentum.

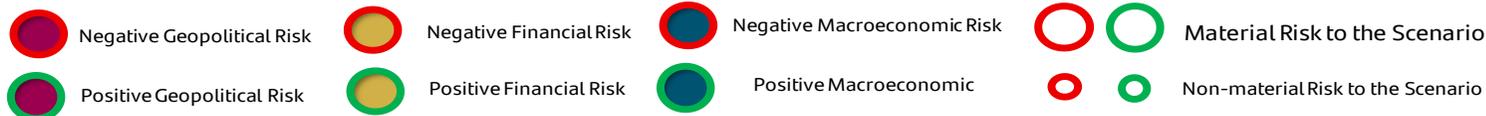
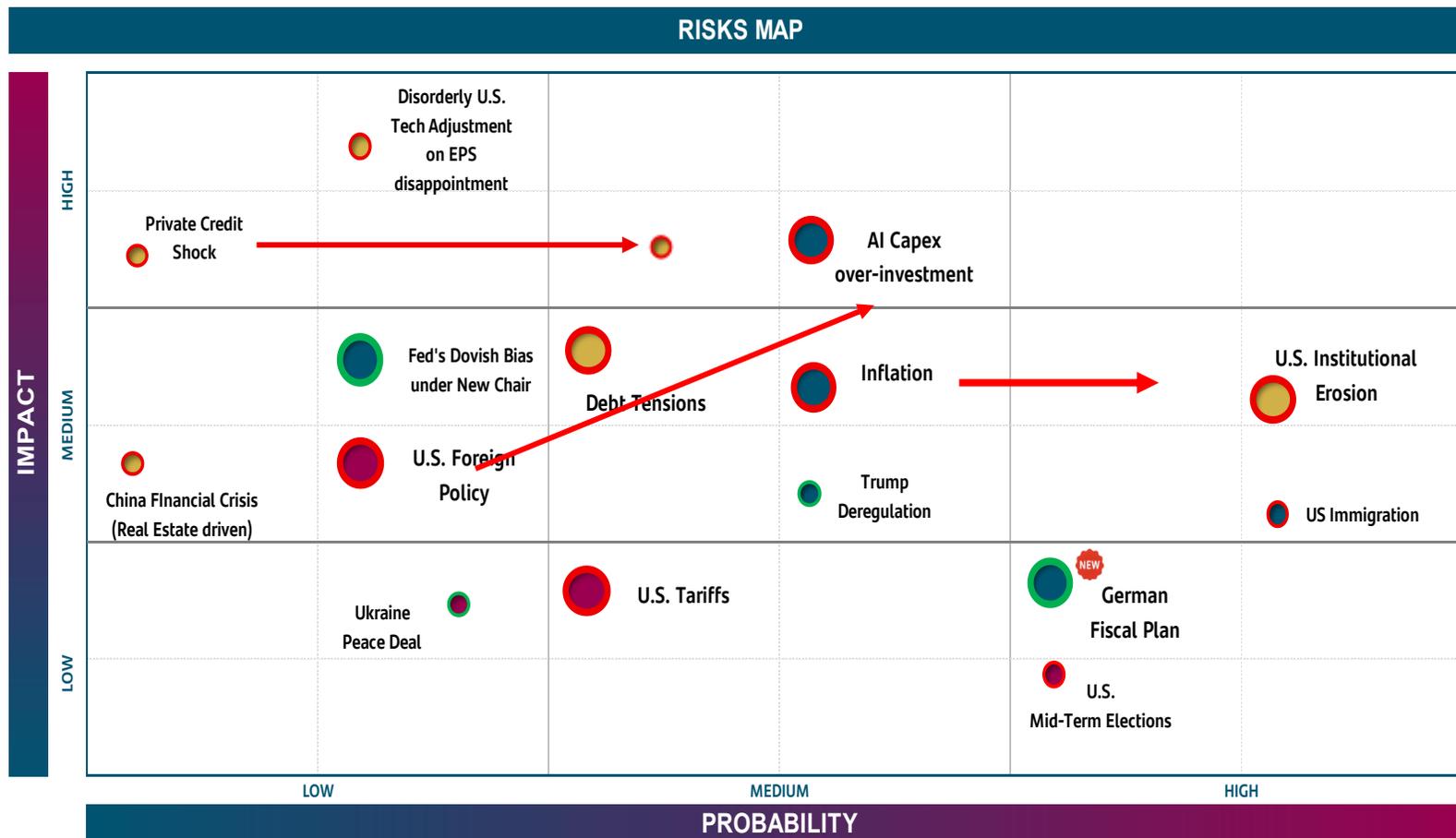
We assign a 10% probability to a stronger-than-expected U.S. growth scenario, and a 10% probability to a more adverse recessionary outcome, which would require a more persistent or disruptive escalation of the conflict.

At this stage, our base case remains that **the shock is primarily energy-driven and temporary in nature**, without triggering a structural deterioration in growth. In this context and given the limited visibility on the duration of the disruption in the Strait of Hormuz, we have implemented a tactical adjustment to our asset allocation. **The objective is not to change our core macro view, but to better manage short-term asymmetry and protect the portfolio against a wider distribution of outcomes.**

Overall, this is not a regime shift, but a positioning adjustment aimed at managing short-term asymmetry in a low-visibility environment, while preserving our ability to re-engage risk as conditions stabilize.



Risk Map: Contained but focus on geopolitics



Risk Environment

Risk distribution remains broadly consistent with an expansionary regime. However, the recent escalation in the Middle East and the sharp increase in oil prices have shifted the risk balance toward short-term macro and inflation watchpoints, increasing uncertainty and dispersion of outcomes.

What Changed

↑ **Energy-Driven Inflation Risk:** The rise in oil prices introduces a clear first-round inflation shock, increasing upside inflation asymmetry. At this stage, market pricing remains relatively benign and does not fully reflect this risk.

↑ **Geopolitical Risk (Middle East):** The temporary disruption in the Strait of Hormuz increases uncertainty around energy supply and the duration of the shock, with potential spillovers into broader market volatility.

Top 3 Risks to Monitor

- Conflict Escalation / Energy Supply Disruption:** A prolonged or intensified disruption would push oil prices higher and increase the probability of a more persistent macro shock.
- Inflation Surprise:** A stronger or more persistent pass-through from energy prices could reprice long-end yields and compress equity multiples.
- Credit Repricing**
- Allocation Implication**

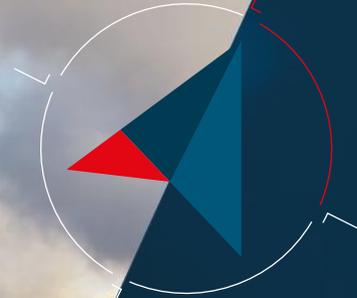
Implement a tactical adjustment to manage short-term asymmetry.

Maintain core constructive stance, but with a stronger focus on risk management and optionality



Thank you

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 **Santander**
Asset Management

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