COMPASS

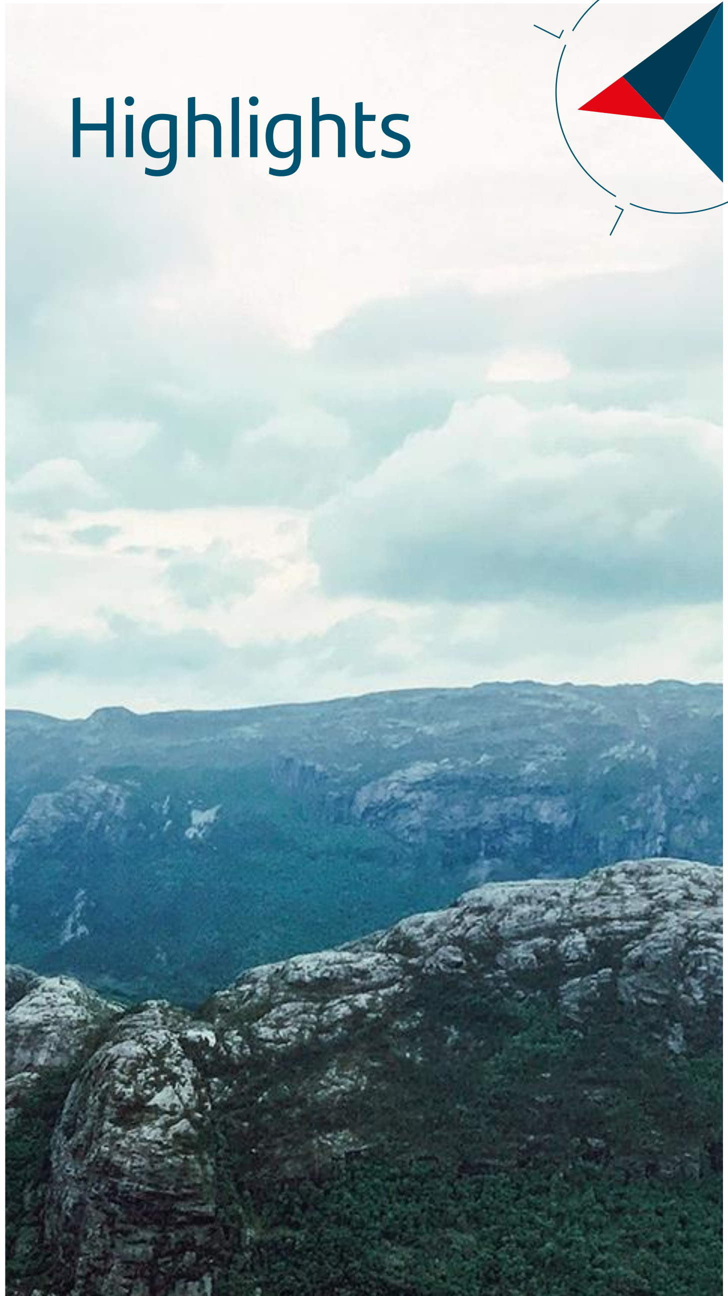
Santander Asset Management

GAAC - TAA Strategy

April 30th, 2026

Marketing Communication

Highlights



Expansion continues, but asymmetry limits upside

The expansion remains intact but increasingly uneven, with an inflationary energy shock impacting sentiment more than activity. Growth is resilient but showing early regional divergence, while inflation pressures remain largely contained to energy with limited second-round effects.

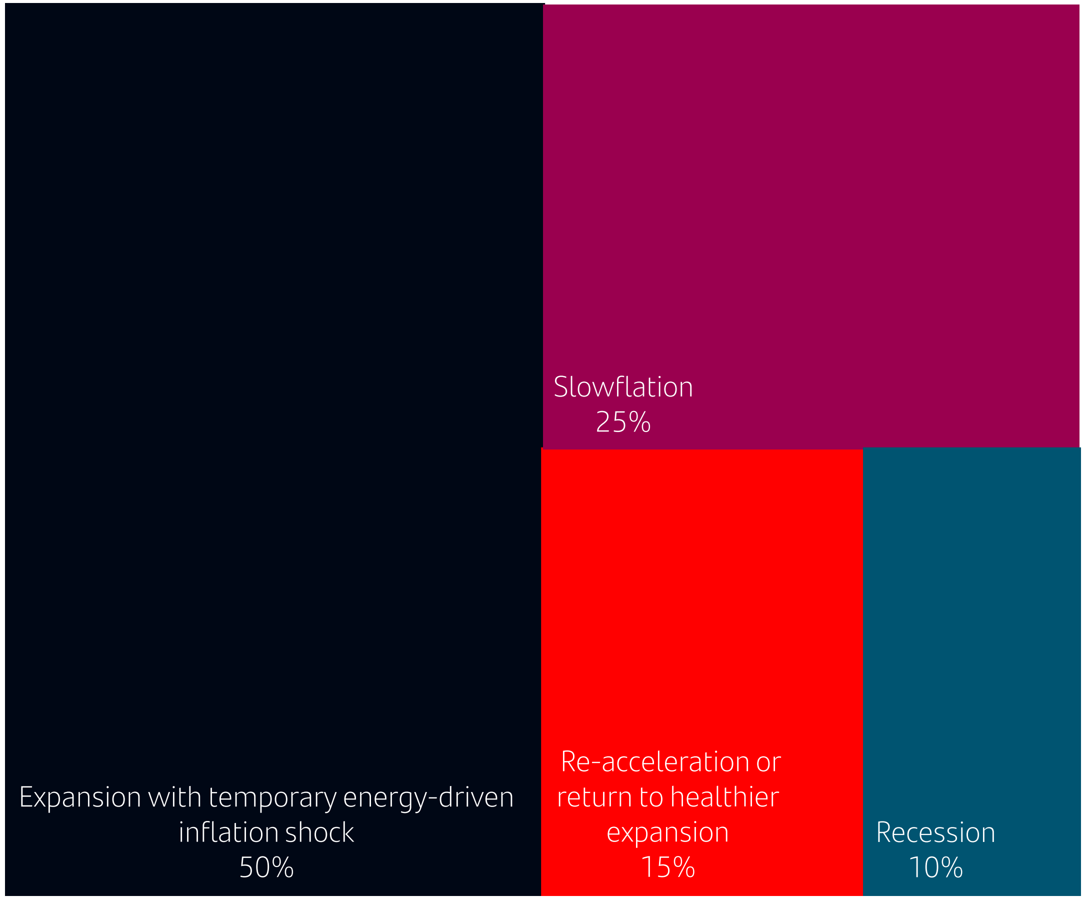
Strategy/Positioning: Balanced but actively selective

Positioning remains neutral with a cautious bias. Markets are already pricing a benign resolution, limiting upside potential. The portfolio emphasizes selective exposure, quality carry, and disciplined risk-taking rather than directional conviction. **The portfolio aims to capture attractive quality carry while preserving resilience against downside scenarios.**

Risk Environment: Low visibility & Asymmetry

Risks are asymmetric, with downside not fully priced. The persistence of the energy shock and potential policy missteps increase vulnerability, despite financial conditions remaining supportive overall.

Investment Scenarios: Constructive base case, but widening asymmetry in outcomes



Source: Own analysis based on internal data.

The base case (50%) remains an **expansion with a temporary shock**, where growth holds around potential and inflation pressures—primarily energy-driven—gradually stabilize. The cycle continues, supported by corporate fundamentals, although with increasing regional divergence and uneven momentum.

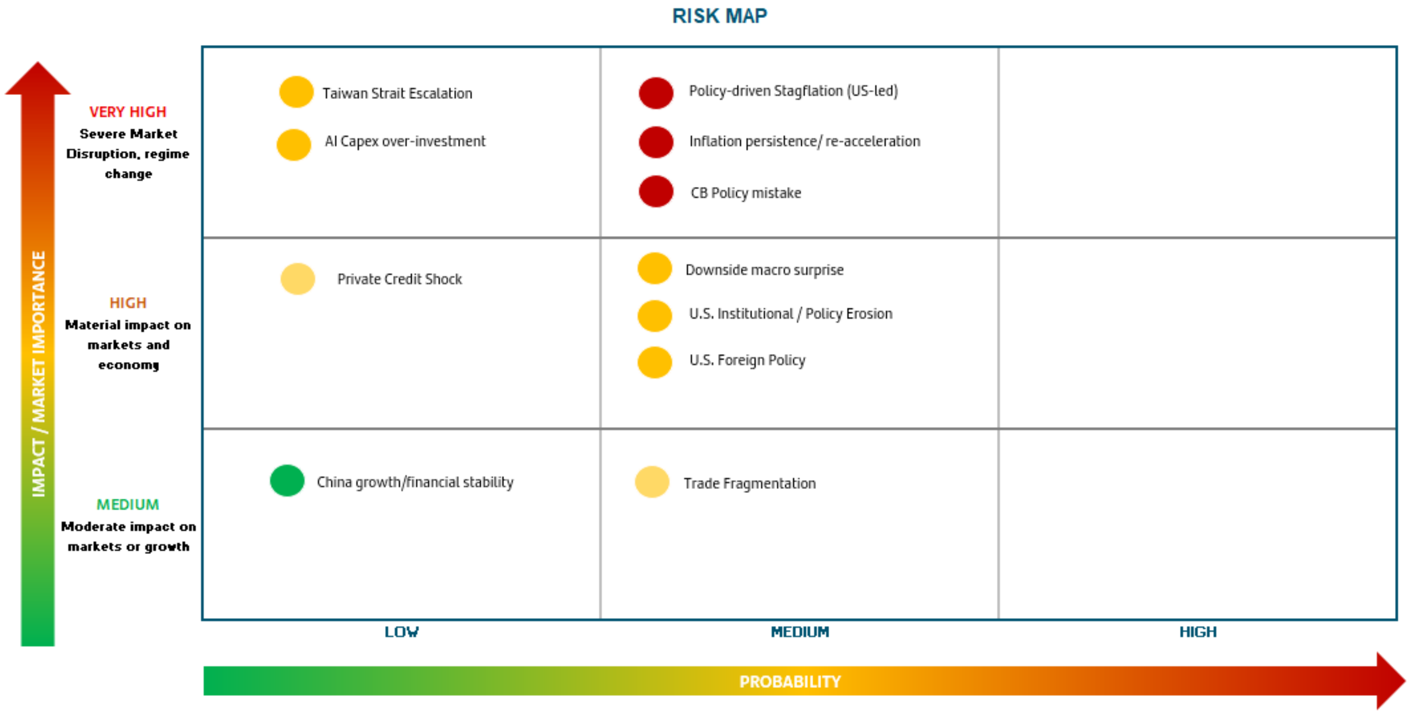
The upside scenario, **Re-acceleration or return to healthier expansion**, (15%) assumes a relatively quick resolution of the geopolitical shock, allowing energy prices to normalize and macro conditions to revert to pre-shock dynamics. In this environment, risk assets would find renewed support, although current valuations already reflect much of this outcome.

The downside scenario (25%) reflects a **slowflation** environment, where a persistent energy shock weighs on growth while keeping inflation elevated. This would pressure margins, weaken confidence, and lead to a more meaningful repricing across assets.

The tail risk (10%) is a **recession** scenario, where the shock becomes macro-destructive through a deterioration in confidence, investment, and financial conditions, triggering a broader risk-off regime.

Overall, constructive scenarios still dominate (~65%), but the distribution of outcomes has become more asymmetric, with downside risks not fully reflected in current market pricing.

Risk Map: Asymmetric risks with increasing relevance of downside drivers



Risk Environment

The risk backdrop is characterized by an inflationary shock that has not yet translated into a growth shock but is increasing uncertainty and risk premia. Markets remain aligned with a constructive scenario, limiting buffers against negative surprises.

What Changed

- Increased asymmetry as markets price a benign resolution.
- Greater sensitivity to the duration of the energy shock
- Early signs of divergence across regions and assets

Top 3 Risks to Monitor

1. **Persistent energy shock** – Extends inflation pressure and weakens growth dynamics
2. **Central bank policy mistake** – Risk of overtightening, particularly in Europe
3. **Equity valuation correction** – Repricing risk if growth or earnings disappoint.

Allocation Implication

Maintain a balanced and selective stance, favoring quality and resilience while limiting exposure to segments with asymmetric downside. Portfolio construction should incorporate optionality and diversification to navigate an increasingly uneven distribution of outcomes.

OneTAA: Neutral stance with selective exposure and quality bias

The portfolio maintains a neutral stance with a cautious tilt, reflecting a macro regime where the expansion continues but with increasing fragility and asymmetry in outcomes.

Positioning adjustments focus on reducing pro-cyclical exposure where upside is limited and reinforcing resilience:

- **Equities** remain moderately positive in DM, but with reduced conviction given stretched expectations and limited upside. EM equities are underweighted due to higher downside risk.
- **Fixed income**, preference for quality carry through Investment Grade credit, while High Yield is underweighted due to asymmetric risk.
- **Commodities** exposure is rebalanced, with profit-taking in precious metals and industrials, while maintaining support in energy given geopolitical risks.
- **FX** positioning reflects macro divergence, with underweights in EUR and GBP.

The portfolio construction emphasizes resilience and carry, maintaining participation in the cycle while introducing discipline and selectivity to manage downside asymmetry.

One TAA

OW+ | OW | N | UW | UW-

	Fixed Income					Equities		FX			Commodities			
	Govt. Bonds		Credit		EMD									
	Cash	DM Bonds	IG	HY	EM Bonds	DM	EM	EUR	JPY	GBP	Energy	Precious	Agricultural	Industrials
Previous (27/03/2026)	N	N	OW	UW	UW	OW	UW	UW	N	UW	OW	OW	OW	OW
Current (29/04/2026)	N	N	OW	UW	UW	OW	UW	UW	N	UW	OW	OW	OW	N
Change	→	→	→	→	→	→	→	→	→	→	→	→	→	↓

TAA: Tactical Asset Allocation. DM: Developed markets. EM: Emerging markets

Asset Allocation Strategy

Balanced but actively selective, with focus on resilience and asymmetry

The asset allocation strategy is structured around three core principles:

1. **Selective Equity Exposure:** We maintain participation in equities, with a preference for more resilient developed markets, while reducing exposure to more vulnerable segments in a higher uncertainty environment.
2. **Quality carry as a core anchor:** Favor Investment Grade credit and resilient income-generating exposures, while reducing exposure to segments with asymmetric downside such as High Yield and EM.
3. **Diversification and convexity:** Enhance portfolio resilience through commodities, selective FX positioning, and maintaining flexibility via neutral allocations, allowing adaptation as the shock evolves.

A balanced and disciplined allocation aims to **preserve participation while managing asymmetry** through quality, selectivity, and diversification. **We are not positioned for the base case scenario but positioning for the distribution.**

Asset Allocation Strategy

Carry
Strong fundamentals still support carry, but we prioritize quality and resilience in a more uncertain environment.

Equity
Selective exposure to developed markets with stronger earnings visibility and pricing power.

Diversifiers
Gold, USD and duration act as key hedges against inflation persistence and growth downside risks.

Barbell between carry and convexity

30D Rolling Volatility of a 60%/40% Portfolio

60% MSCI ACWI EUR - 40% EURO Aggregate

Source: Santander Asset Management, Bloomberg and ICE Indices

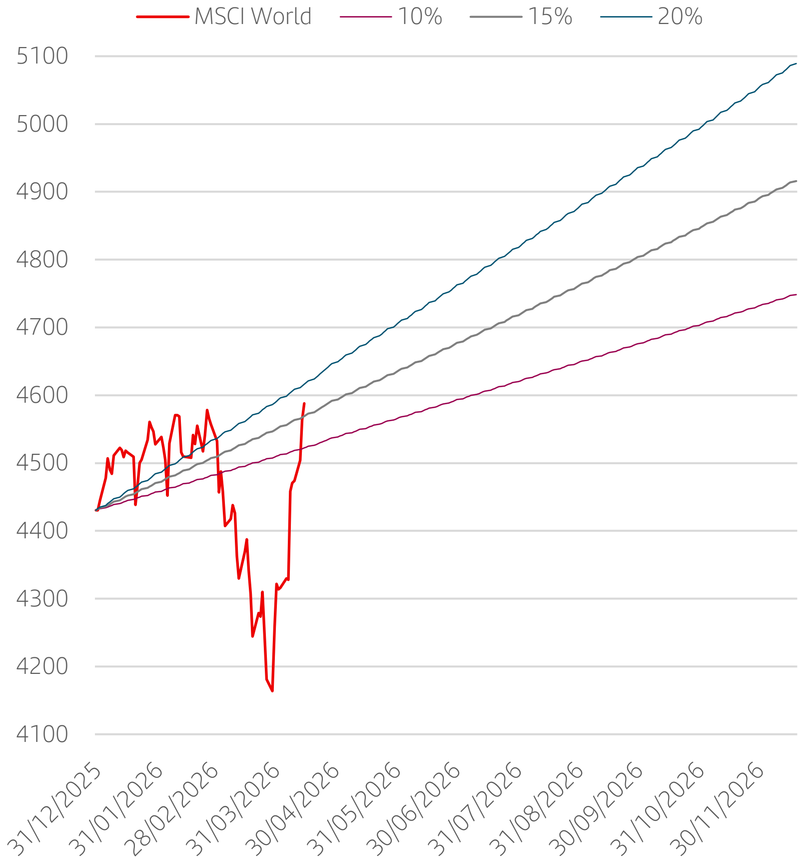
Equity Regional: EM Vulnerability

Developed Markets performance remains broadly aligned with the EPS trajectory expected for 2026, consistent with a base-case scenario of around 15% earnings growth. In contrast, Emerging Markets have rebounded to levels that imply performance exceeding even an optimistic earnings growth scenario of 35%. This strength has been largely driven by commodities and, more importantly, semiconductors, where EM has significant exposure. Taiwan and Korea account for nearly 40% of the index, with TSMC and Samsung representing around 20%. This concentration makes the outlook demanding and increasingly vulnerable in an uncertain macro environment.

Therefore, we maintain an overweight in Developed Markets and an underweight in Emerging Markets.

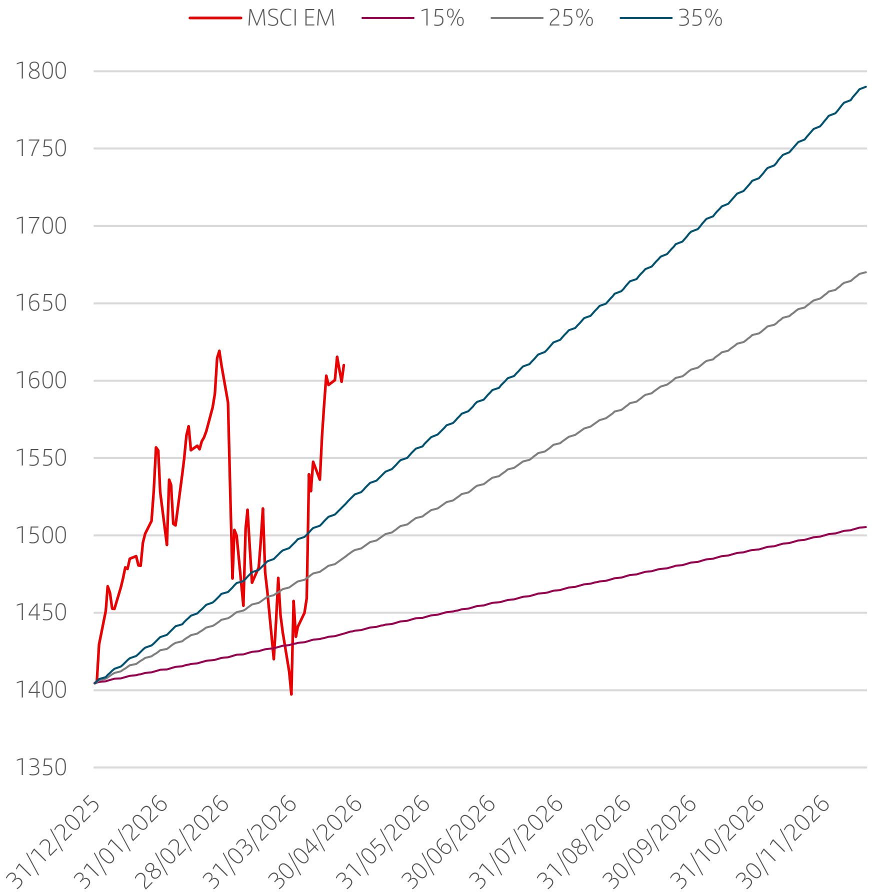
DM Scenarios

Source: Santander Asset Management & Bloomberg



EM Scenarios

Source: Santander Asset Management & Bloomberg



DM: Developed markets. EM: Emerging markets. EPS: Earning per share

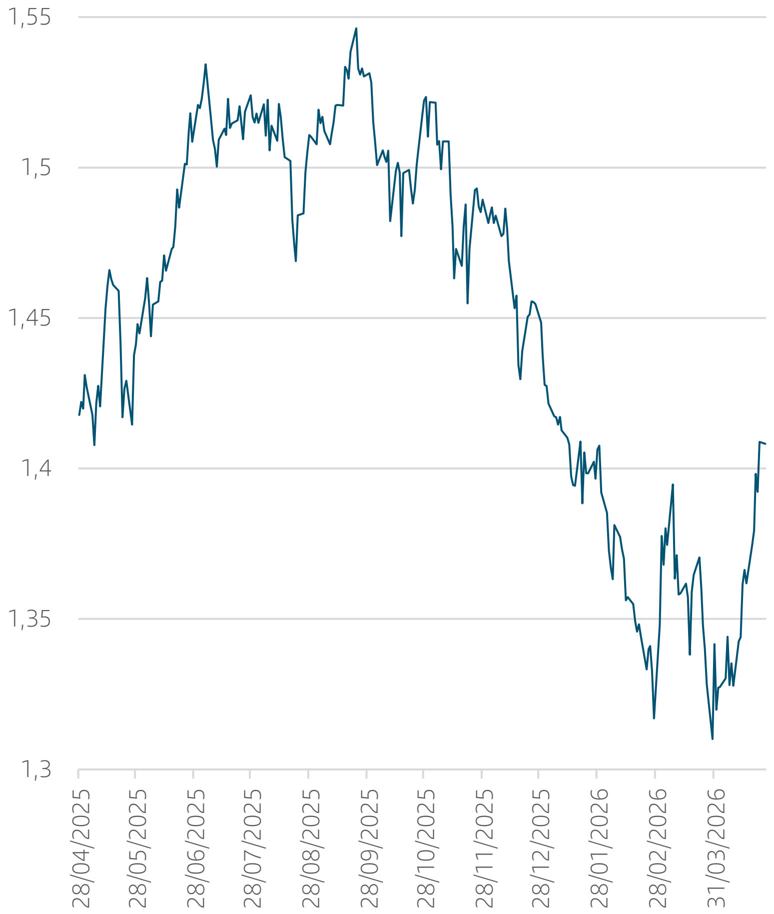
Equity Regional: US Preferred Over Europe and Japan

We prefer US over Europe. Europe remains more exposed to the energy shock, both directly through higher energy dependence and indirectly via rising costs, greater cyclical sensitivity, and stronger links to weaker regions such as China. Despite the recent rebound, Europe does not appear cheap versus the US on a one-year view, limiting its relative appeal. In contrast, the US offers more resilience and structural growth support.

In **Japan**, while the corporate governance story remains intact, we believe it is largely priced in. Valuations already reflect an optimistic scenario, leaving the market vulnerable despite its recent relative lag.

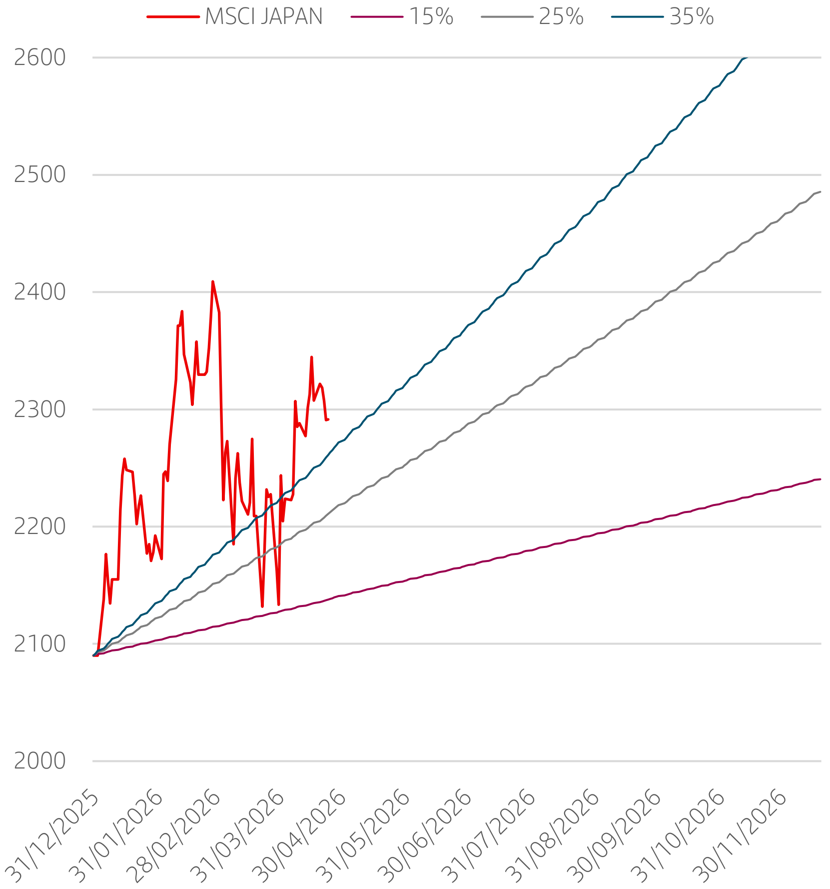
P/E Ratio: US vs EU

Source: Santander Asset Management & Bloomberg



Japan Optimism

Source: Santander Asset Management & Bloomberg



USD: Convexity as Protection in an Asymmetric World

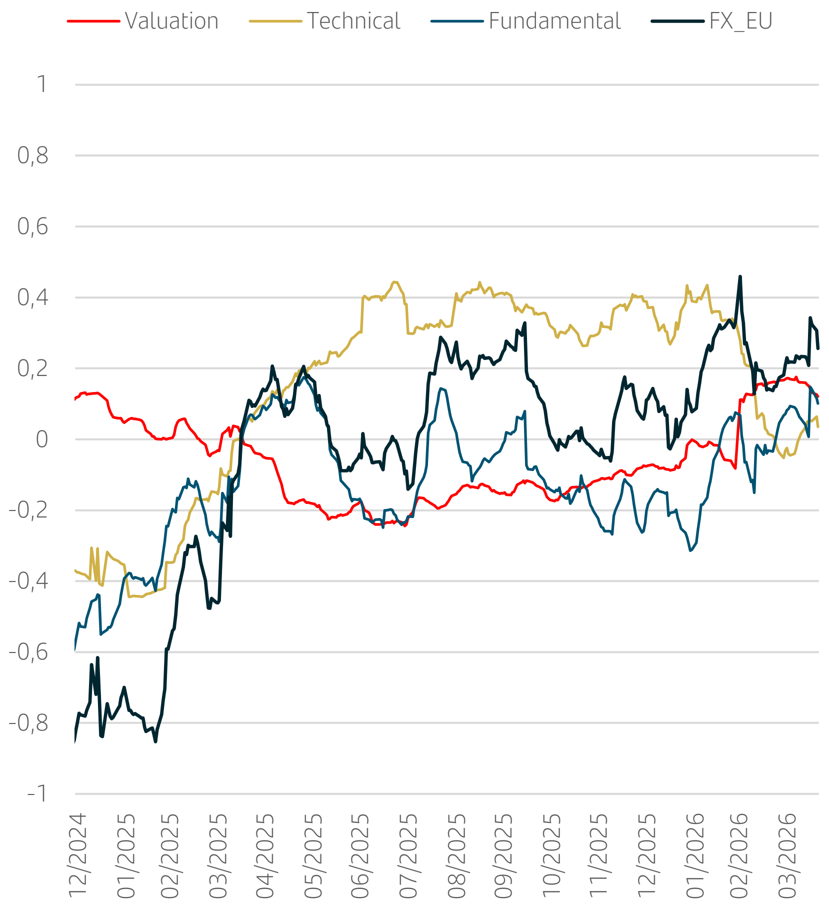
We have seen some improvement in **EUR/USD** indicators, particularly on the fundamental side, supported by better rate differentials as reflected in OIS curves

Technical signals have also stabilized and now point to a broadly neutral stance, while valuation has slightly deteriorated in recent weeks.

At current levels, we see risks building in the overall price configuration, with EUR/USD trading close to the upper end of its historical range. This implies limited upside for the euro and a more asymmetric risk profile skewed to the downside. In this context, **we favor the USD as a convex hedge, offering effective protection if more adverse macro or risk-off scenarios materialize.**

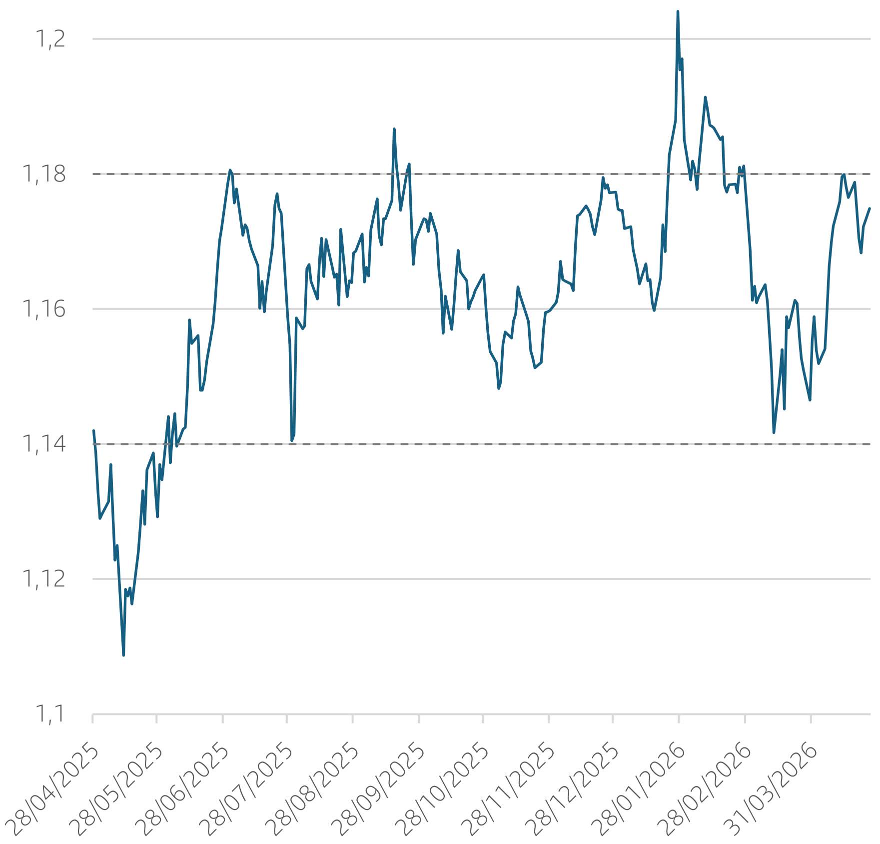
EURUSD: Selected Quant Signals

Source: Santander Asset Management



EURUSD: Asymmetric Risk

Source: Santander Asset Management



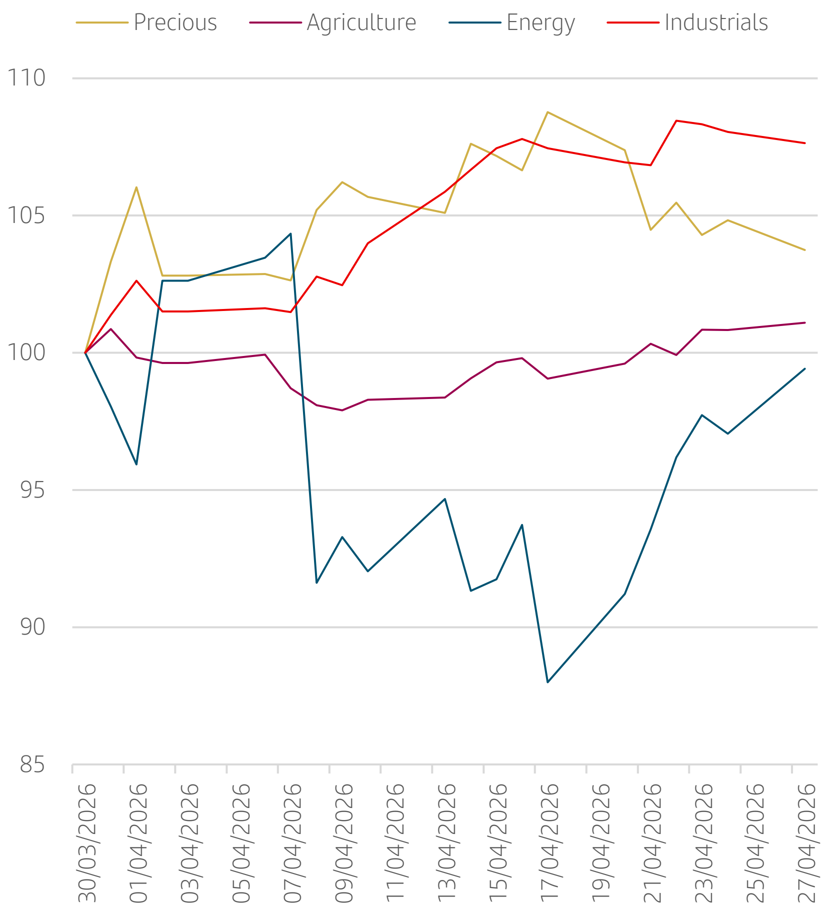
Commodities Strategy: Reducing metals tactically

In commodities, we **tactically reduce exposure to metals following the strong rally after the ceasefire**, moving industrial metals to neutral while maintaining an overweight in gold. Although we retain strong conviction in industrial (mainly in strategic metals) over the medium term, the recent rebound has been too rapid, and a near-term pause appears likely. We prefer to wait for better entry levels or renewed conviction signals.

In **energy**, we maintain an overweight. The recent shock has put future supply at risk, and even with normalization, production levels may take time to recover. Combined with its hedging role and attractive carry from the curve structure, this supports our positioning.

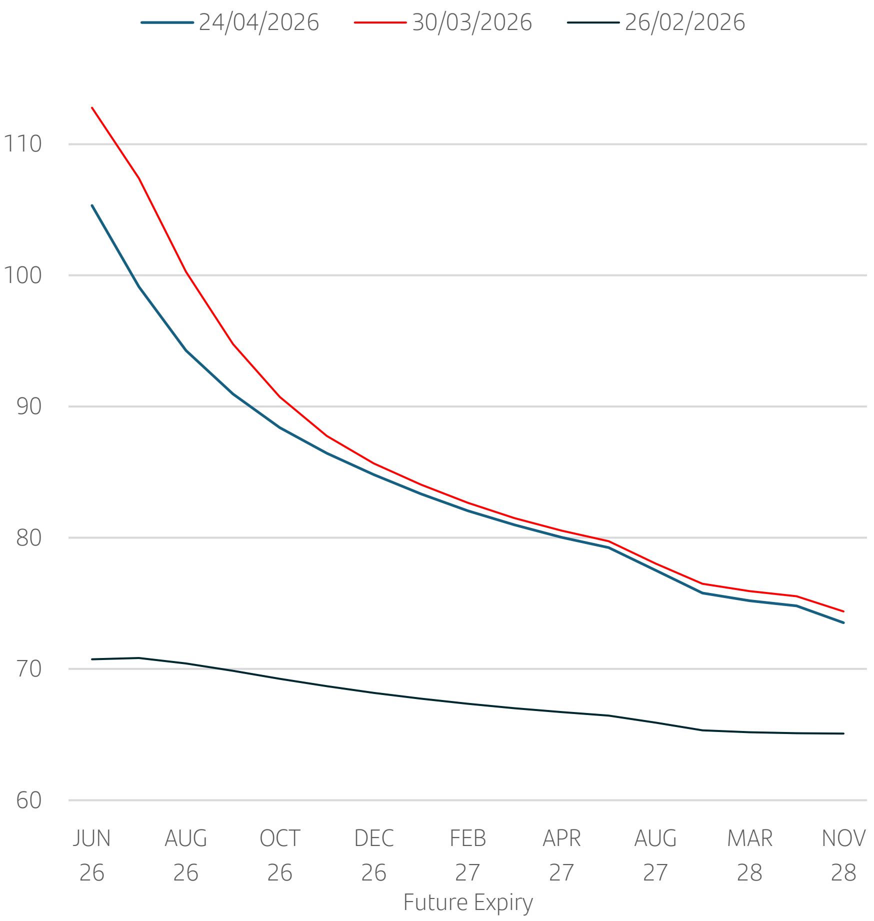
Commodities: Performance

Source: Bloomberg & Santander Asset Management



Oil Futures Curve: Backwardation

Source: Bloomberg & Santander Asset Management

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Thank you

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