12 January 2026

A steady course for the year ahead

Market commentary and outlook for 2026

Santander
Fundusze Inwestycyjne

Dear Sir or Madam,

another year is behind us, and it turned out to be very successful for investors. Returns on both equity and bond markets were high and, in some cases, exceeded our expectations. All of the managed sub-funds delivered positive returns, with many in double-digit territory.

The year 2025 was characterized by dynamic shifts, during which investors repeatedly rotated their focus between inflation concerns, monetary policy trajectories, fiscal conditions and geopolitical factors. **Despite initial volatility and a springtime escalation of trade tensions, risk appetite eventually returned to the markets**. The technology sector once again served as the primary catalyst for global gains.

The past year was clearly dominated by equities. U.S. indices reached new highs multiple times during the year. Emerging markets also stood out, benefiting from a weaker U.S. dollar and an improvement in global capital flows. **Poland, with a return of over 47% on the WIG index, emerged as one of the strongest equity markets in the world.** This represented the highest annual increase of our index since 1996.

Bond markets faced a more challenging environment compared to equities. Globally, corporate bonds performed relatively better than government debt. **Against the backdrop of core markets, the Polish government bond market performed very well.** Disinflationary trends and a more accommodative stance of the Monetary Policy Council supported rising bond prices.

We expect positive trends to persist in 2026 as well, though the pace of growth may moderate compared to the previous year

Within the Polish equity market, we prefer the small and mid-cap segment, which offer greater resilience to regulatory risks compared to blue chip companies. These firms may also benefit to a greater extent from the continued strong GDP growth.

We believe that the key factors supporting the development of the artificial intelligence segment continue to provide high earnings growth potential for tech companies. While warning signals are emerging yet classic signs of a bubble are still absent. **Emerging markets represent a compelling, yet still under appriaciated play on the technological revolution.**

In the fixed-income market, we still see potential in most segments of the local market. **We expect further interest rate cuts in 2026 due to limited inflationary pressure.** Given the shape of the yield curve, we prefer long-duration bond sub-funds.

While short-term debt funds may appear relatively less atractive, they remain a very profitable form of investment. The macroeconomic environment should continue to be favourable for corporate bonds; however, current valuations call for somewhat greater caution.

We draw attention to risk factors and remind investors that periods of increased volatility occur in financial markets. However, effective diversification, an appropriate investment horizon and the selection of financial instruments aligned with one’s individual profile can significantly mitigate these risks.

We invite you to read the full report and wish you high rates of return in 2026 as well.

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Key events in 2025

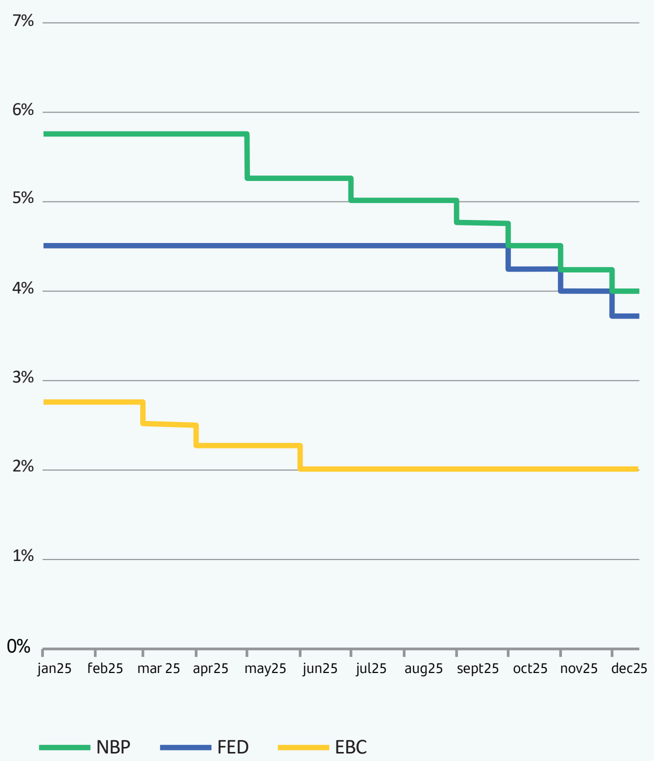
A year of shifting narratives and surprising market resilience

The year 2025 was characterized by dynamic shifts, during which investors repeatedly rotated their focus between inflation concerns, monetary policy trajectories, fiscal conditions and geopolitical factors. The beginning of the year was marked by elevated uncertainty around the interest rate path and disappointment over the pace of disinflation, particularly in the United States. A persistently strong labour market and high core inflation effectively pushed back the prospect of rapid interest rate cuts. In Europe and in emerging markets, fiscal tensions and political instability remained a significant source of concern.

Spring brought an increase in volatility. The escalation of trade tensions culminated around the so-called Liberation Day and growing concerns over fiscal conditions on both sides of the Atlantic led to sharp market moves and a temporary risk aversion. At the same time, macroeconomic data — especially in the United States — did not confirm a hard-landing scenario, which gradually stabilised investor sentiment. **The second half of the year was characterised by normalisation:** central banks initiated or clearly signalled the start of an easing cycle, inflation gradually faded, and financial markets demonstrated relatively high resilience to geopolitical shocks.

The overall outcome of the year was a clear divergence between asset classes and regions. Equities, particularly in emerging markets and CEE region, ended the year on a very strong note, while fixed-income markets faced a more demanding environment, rewarding selection and exposure to credit risk.

Central bank interest rates in 2025



VIX Index – 2025

Source: Author’s own elaboration, Santander TFI

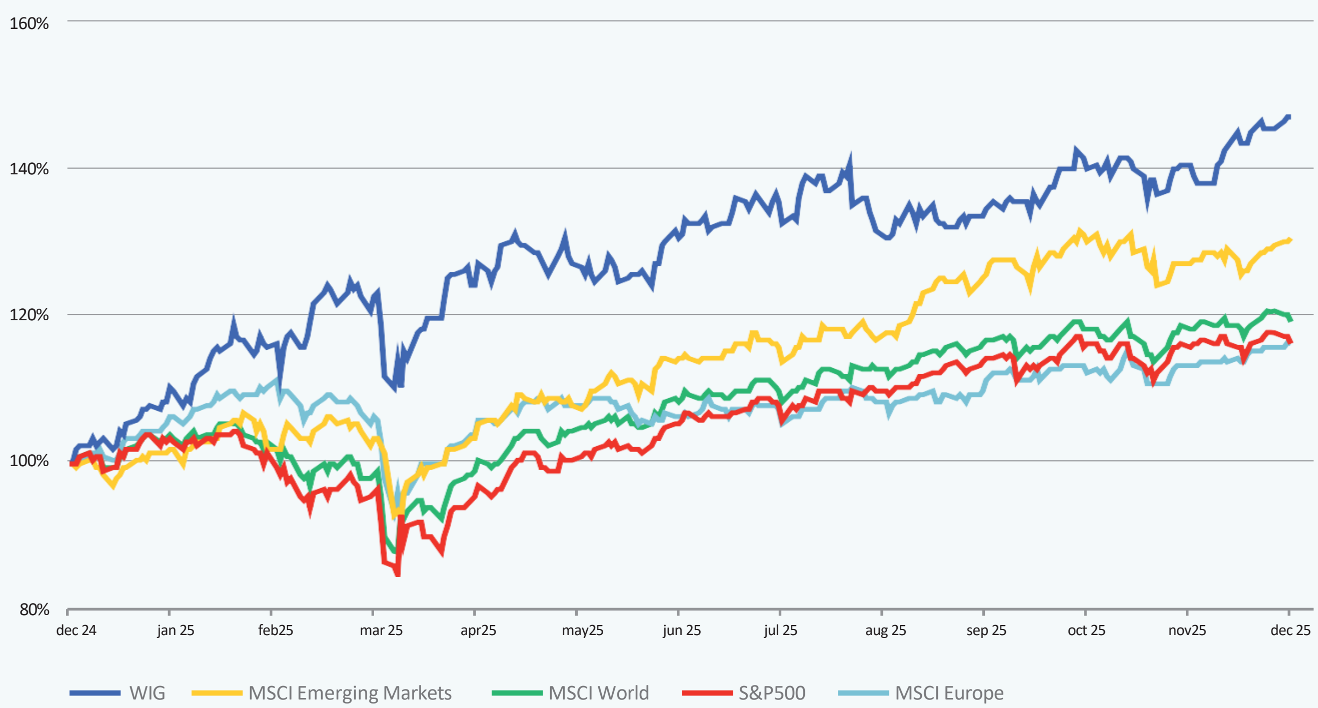
Equities: Poland among the strongest markets globally, while technology continues to set the tone in the U.S.

The year 2025 was clearly dominated by equity markets, though gains remained highly selective. Technology sector remained the primary driver of the US market, fuelled by enthusiasm around artificial intelligence and robust earnings from the largest companies. U.S. indices reached new highs multiple times during the year, and periodic corrections — triggered by inflationary concerns or Federal Reserve policy — did not break the bullish narrative. At the same time, the narrow breadth of the rally began to raise questions about the sustainability of the bull market heading into the second half of the year.

Investors looked for diversification for their highly concentrated U.S. positions. **European equity markets also posted gains, supported by expected recovery in economic conditions driven by Germany's fiscal stimulus package and positive effects from** European Central Bank **interest rate cuts**. The German DAX outperformed the U.S. S&P 500.

Emerging markets stood out strongly, benefiting from a weaker U.S. dollar and improved global capital flows. The momentum accelerated in the second half of the year, as declining inflationary pressure and a more dovish stance from central banks increased the risk appetite. **Poland emerged as one of the strongest equity markets globally. Foreign capital was attracted by relatively attractive valuations and accelerating corporate earnings growth.** Positive sentiment was further reinforced by disinflationary trends and the start of an easing cycle by the Monetary Policy Council.

Equity index returns since the beginning of 2025 (January 2025 = 100)



Source: Author's own elaboration, Santander TFI

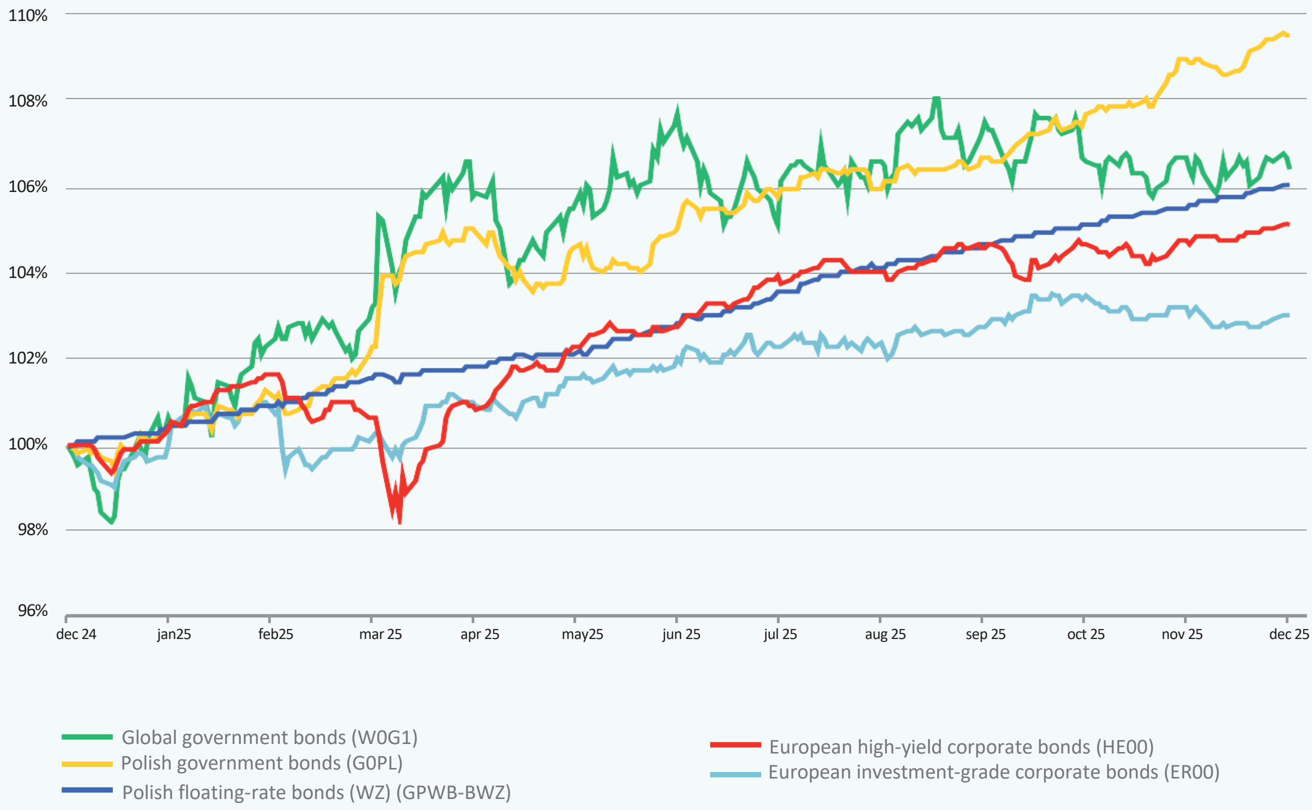
Bonds: late easing, fiscal backdrop and the advantage of the credit market

Bond markets in 2025 faced a more challenging environment than equities. The first half of the year was defined by elevated volatility, which put pressure on sovereign bond valuations, particularly in the United States, where persistent inflation and a strong labour market pushed investors to revise their expectations regarding monetary policy. European markets struggled with structurally high fiscal deficits, accelerating debt issuance and uncertainty about governments' ability to return to a sustainable fiscal trajectories. **The second half of the year brought more stabilisation. Signalled and implemented interest rate cuts by major central banks, combined with ongoing disinflation, supported the stabilisation of sovereign bond valuations.**

The corporate bond market performed significantly better. A combination of narrowing credit spreads, robust corporate fundamentals and attractive absolute yields ensured that credit remained a favored asset class. Credit exposure was seen as a more efficient way to participate in improving sentiment while limiting interest rate risk.

Against the backdrop of core markets, the Polish bond market emerged as a standout performer. Disinflation and a more accommodative stance of the Monetary Policy Council supported yields compression (price increase), and domestic debt remained attractive to both local and foreign investors.

Bond index returns since the beginning of 2025 (January 2025 = 100)



Source: Author's own elaboration, Santander TFI

Investment performance of Santander funds

Fixed-income sub-funds

Over the past year, all funds under our management delivered positive investment returns. This was supported by favourable conditions in both equity and bond markets, particularly in Poland. This time, funds with exposure to Polish equities proved to be the top performers.

2025 turned out to be a very successful year for Polish government bonds. **Strong declines in yields helped fixed-income sub-funds. Santander Prestiż Government Bond posted the best return at 9.6%.**

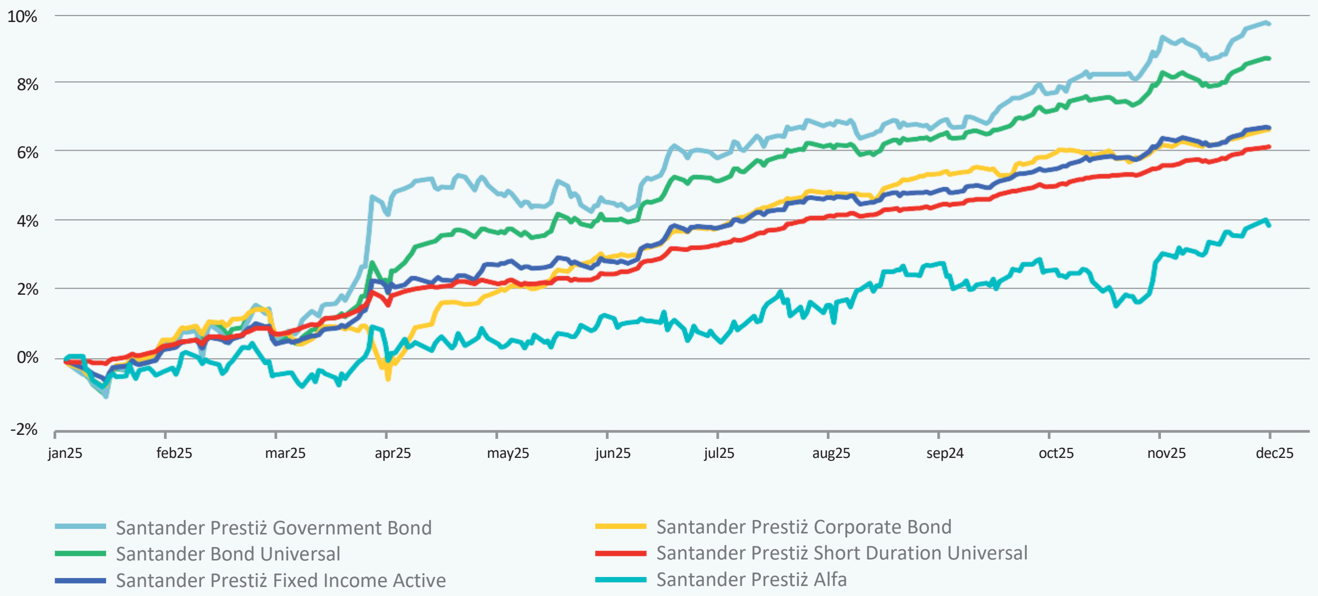
Santander Bond Universal also closed the year with a very good result (+8.6%), driven by favourable conditions in both government and corporate bond markets as well as appropriate allocation between markets by the portfolio managers. In the corporate bond segment, the specialised **Santander Prestiż Corporate Bond** gained 6.6%.

Short-term fixed-income sub-funds outperformed initial 2025 forecasts , ultimately gaining 6%, which also represented year-on-year improvement. The most conservative sub-fund, Santander Prestiż Calm Investment, gained 5.2%, which was slightly below expectations.

Absolute return sub-funds

In this category, the top performer was Santander Prestiż Global Fixed Income, which invests in international markets, ending the year with a return of 7.4%. Of the remaining two sub-funds, Santander Prestiż Fixed Income Active performed better, gaining 6.7%. Santander Prestiż Alfa recorded a somewhat softer result compared to historical averages +3.9%.

Returns of selected fixed-income and absolute return sub-funds in 2025’



Source: Author’s own elaboration, Santander TFI

Equity funds

The past year delivered the highest returns in equity instruments, and therefore sub-funds in this category achieved the strongest absolute returns across our portfolio. **Among them, the clear winners were sub-funds investing in the domestic equity market, namely Santander Prestiż Polish Equity and Santander Polish Equity, which posted returns of 41.9% and 40.8%, respectively.** Santander Small and Medium Caps Equity also delivered a strong performance, gaining 30.5%.

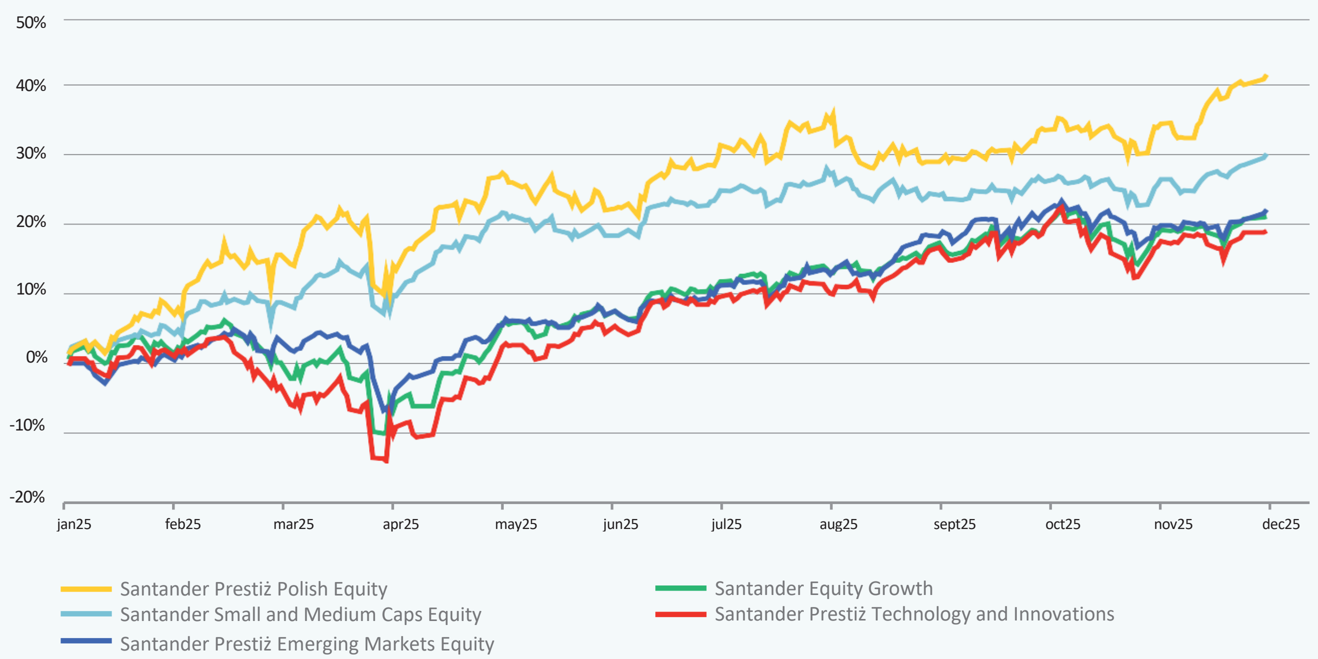
Among sub-funds focused on international investments, Santander Prestiż Emerging Markets Equity performed best, with a return of +22.4%. Similar results were achieved by Santander Equity Growth (+21.3%) and Santander Prestiż European Equity (+20.5%). In contrast to 2024, when sub-funds investing mainly in the U.S. led the rally, this investment direction did not deliver the best results this time. Nevertheless, the returns of both Santander Prestiż Technology and Innovations (+19.2%) and Santander Prestiż US Equity (+16.3%) were satisfactory for investors.

Mixed sub-funds and PPK

As the results of the two main asset classes (equities and bonds) differed significantly, the investment performance of mixed sub-funds reflected the respective weightings of these classes in total assets. **The higher the equity allocation in the portfolio, the higher the returns. Consequently, Santander Balanced delivered the best performance (over 18%)**, with the average equity share during the year at approximately 55%.

A special category of mixed sub-funds are PPK sub-funds. In this case, the relationship between the equity allocation and returns also held true. The higher the equity share, the higher the returns. Ultimately, returns ranged from 11.1% for PPK 2025 to approximately 29–30% for the longest-horizon sub-funds, i.e. PPK 2050–65.

Returns of selected equity sub-funds in 2025



Source: Author's own elaboration, Santander TFI

Key investment theses for 2026

1. Within Polish equities, we prefer the small and mid-cap segment

Following the exceptionally strong year of 2025, we anticipate more moderated returns for Polish equities in 2026. **Within the domestic market, we prefer small and mid-cap segment, which may benefit from the continued strong pace of GDP growth.**

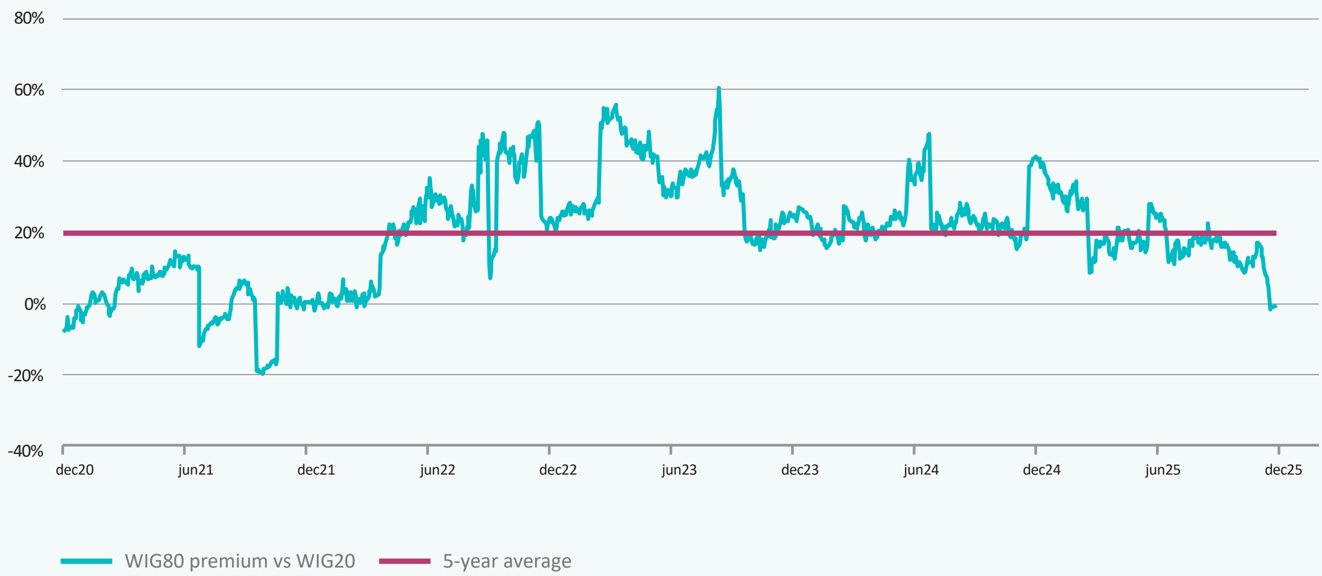
Expansionary fiscal policy is a factor supporting valuations of risk assets. In particular, the historic shift in Germany in this regard is expected to stimulate economic growth in the region, creating a more favourable environment for Polish companies. In addition, Poland is entering an accelerated phase of EU Recovery Fund (KPO) deployment, which should further stimulate economic momentum and, consequently, corporate results. This, combined with the continuation of high dividend payouts, should provide investors with a stable cash flow. The dividend yield for the WIG index stands at 4.7%.

In 2025, the market priced in a lasting improvement in corporate governance in state-owned companies. The average return of the 12 state-owned companies listed on the Warsaw Stock Exchange reached +59%, significantly outperformed the broad market (WIG +47.3%) and diversified small-cap index sWIG80TR (+30.3%). Over the past five years, the price-to-earnings ratio for companies in the sWIG80 index has on average been 20% higher than the corresponding ratio for WIG20. Currently, the price-to-earnings ratios for both indices are at a similar levels, which implies a relatively attractive valuation for small-cap stocks.

After a significant increase in valuation multiples of state-owned companies last year, we currently prefer entities with private shareholding, which offer a more favourable risk–reward profile. We assume that a selective, quality-focused approach will be key. We direct our attention toward small and mid-cap companies, which better reflect the realities of the domestic economy. The greatest exposure to this market segment is provided by the Santander Small and Medium Caps Equity sub-fund.

In our assumed market environment, conditions for Santander Prestiż Alfa should be more favourable in 2026 than in 2025. This sub-fund implements a market-neutral strategy by going longin undervalued equitiesf, while hedging systemic risk via Wig20 short positions In a scenario where small and mid-cap stocks outperform large caps, this strategy should deliver some additional returns.

P/E premium of sWIG80 vs WIG20



Source: Author’s own elaboration, Santander TFI

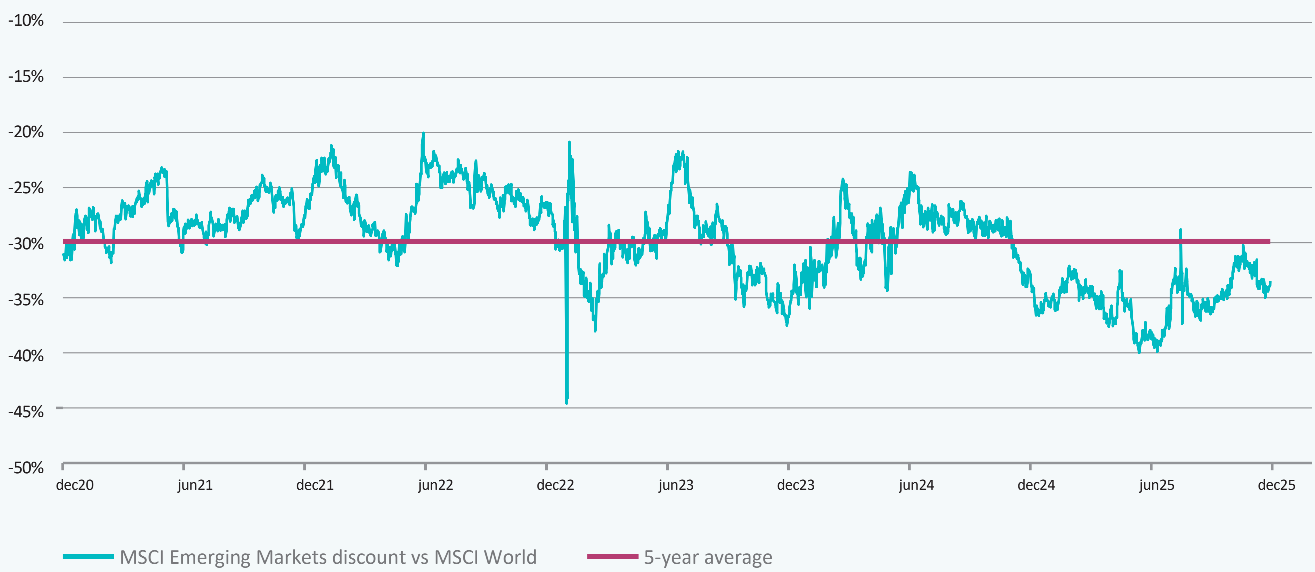
2. Technology drives corporate earnings growth. Emerging markets join the race

We believe that fundamental drivers od the artificial intelligence should drive corporate earnings growth and, in turn, justify current valuation premiums. Demand for computing power remains structurally strong, fueled by both model training and the accelerating enterprise deployment of generative AI. The AI ecosystem is increasingly entering a monetisation phase, which will translate into growing revenues in cloud services, semiconductors and software, and also increasingly permeate a wider range of industries.

Although warning signals are emerging, classic signs of a bubble are still absent. Unlike the euphoria and extreme valuations of dot-com era, earnings growth and cash flows are currently keeping pace with valuations. The strong increase in capital expenditure by the largest technology companies is closely aligned with the surging demand in their cloud segments. Although debt financing is rising, corporate balance sheets remain at very safe levels. AI technology enjoys government support, as it represents a critical advantage in the race between the United States and China. We are also in a phase of monetary easing rather than tightening. A further important difference compared with the dot-com bubble is the actual implementation of the AI technology, whereas in the 1990s the internet was still in an experimental phase.

Beyond traditional developed market exposure, emerging markets represent a compelling, yet underappriaciated play on the technological revolution. Markets such as South Korea, Taiwan and China are increasingly benefiting from the widespread technological transformation through their integration into global semiconductor and AI infrastructure supply chain. The dynamic development of data centres and cloud services in Asia supports local hardware and service providers. The economic centre of gravity in these regions has shifted from commodities toward high growth technology and consumption, Today the largest companies are dominated by global technology leaders such as TSMC, Samsung, Alibaba and Tencent. Paradoxically, despite the change in sector profile and faster expected earnings growth, **the valuation discount of emerging markets relative to global equity indices has widened in recent years**. These arguments, combined with the ongoing weakness of the U.S. dollar, should support further capital inflows into emerging markets. Exposure to this segment can be a source not only of excess returns but also of portfolio diversification in current highly uncertain times.

P/E discount of the MSCI Emerging Markets Index relative to the MSCI World Index



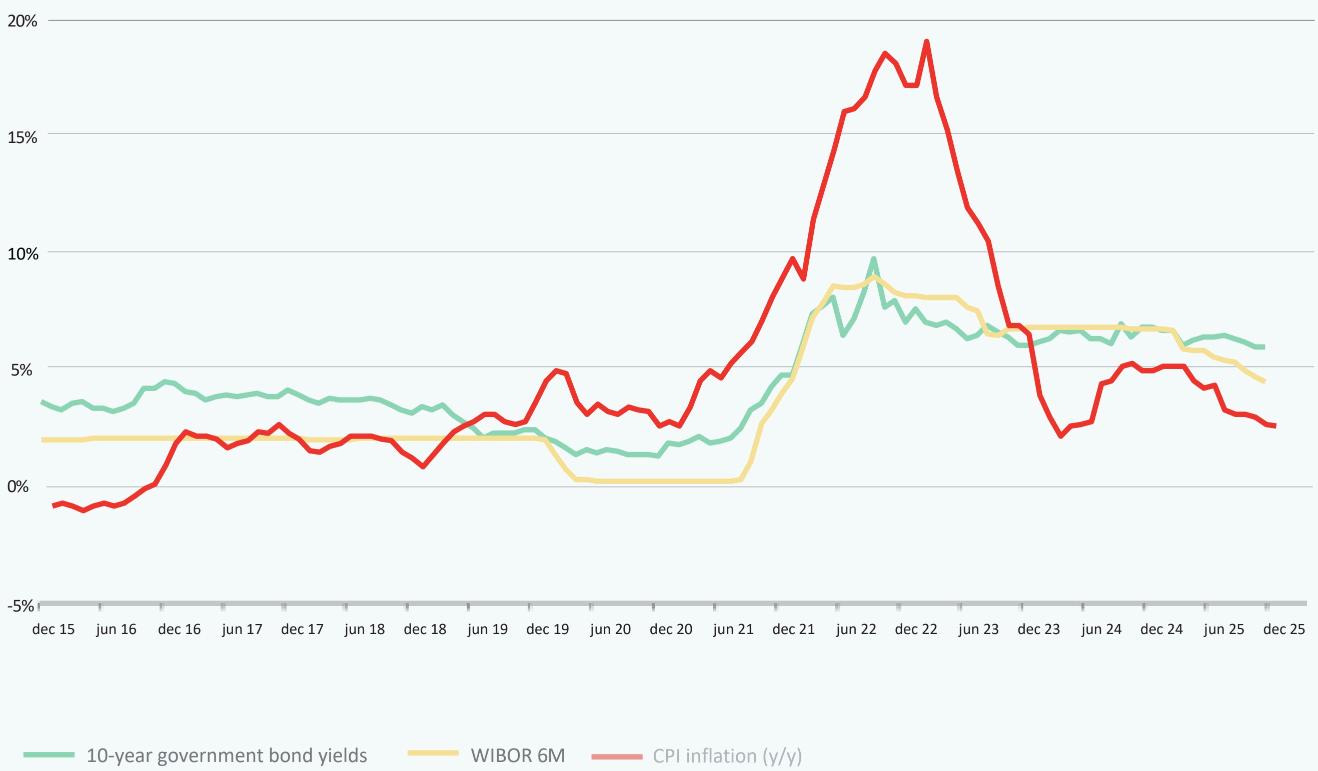
Source: Author’s own elaboration, Santander TFI

3. In the bond market, we prefer long-duration instruments

The past three years have been defined by significant interest rate volatility. Despite relatively high interest rate levels, uncertainty about inflation and high volatility in fixed-rate bonds encouraged a more cautious approach. Furthermore, long term yields were lower than short-term money market rates. As a result, short-term fixed-income funds, which focus on floating-rate bonds indexed to the WIBOR money market rate, appeared historically more compelling.

Enetering 2026, we are strategically shifting our conviction toward long-duration bond funds, comprised primarily of fixed-rate bonds. We believe, their risk reward profile has improved significantly, following interest rate cuts by the National Bank of Poland (–175 bps in 2025), money market rates have fallen to around 4%. In contrast, yields on 5-10 fixed-rate bonds range between 4.5% and 5.2%, finally offering investors a meaningful term premium. With inflation in Poland falling to 2.5% at year-end of 2025, and projections for 2026 indicating that it will remain within Monetary Policy Council target range, i.e. 1.5%–3.5%. This creates room not only for stabilisation of the NBP policy rate at 4%, but even for further cuts. Such an environment should be more favourable for fixed-rate bonds than for WIBOR-linked instruments.

10-year Polish government bond yields versus inflation and the WIBOR rate



Source: Author's own elaboration, Santander TFI

4. Short-term funds – a stable pillar of a diversified portfolio

Investors should note that sub-funds with exposure to fixed-rate bonds, i.e. Santander Prestiż Government Bond and Santander Bond Universal, are tailored for investors with at least a three-year investment horizon who are willing to accept higher volatility than that of short-term fixed-income funds.

We believe that 2026 will remain a favourable environment for conservative investors seeking the sability of short-term fixed-income funds. While the relative attractiveness of this group of funds compared to long term fixed-rate bond funds has moderated, they remain a very profitable form of investment. Despite the recent decline in WIBOR rates impacting the current yield of floating-rate government bonds, these instruments continue to offer compelling spreads over WIBOR.

To futher optimize our product offering, we changed the investment policy of one of our short-term fixed-income funds in August 2025 **(now Santander Prestiż Short Duration Universal). By strategically increasing the share of corporate bonds, we have enhanced the potential to offer conservative clients a higher portfolio returns while maintaining a significantly lower duration profile** than other funds with corporate bond exposure.

For investors seeing to capture the term through a more dynamic stratyegy, Santander Prestiż Fixed Income Active remains an attractive option. This is an absolute return fixed-income fund which, leverages its unique structure, to generate alpha in fluctuating bond market conditions , offering a an alternative to deposit yields rather than government bond benchmarks.

Risk premia for Polish government bonds (in basis points)

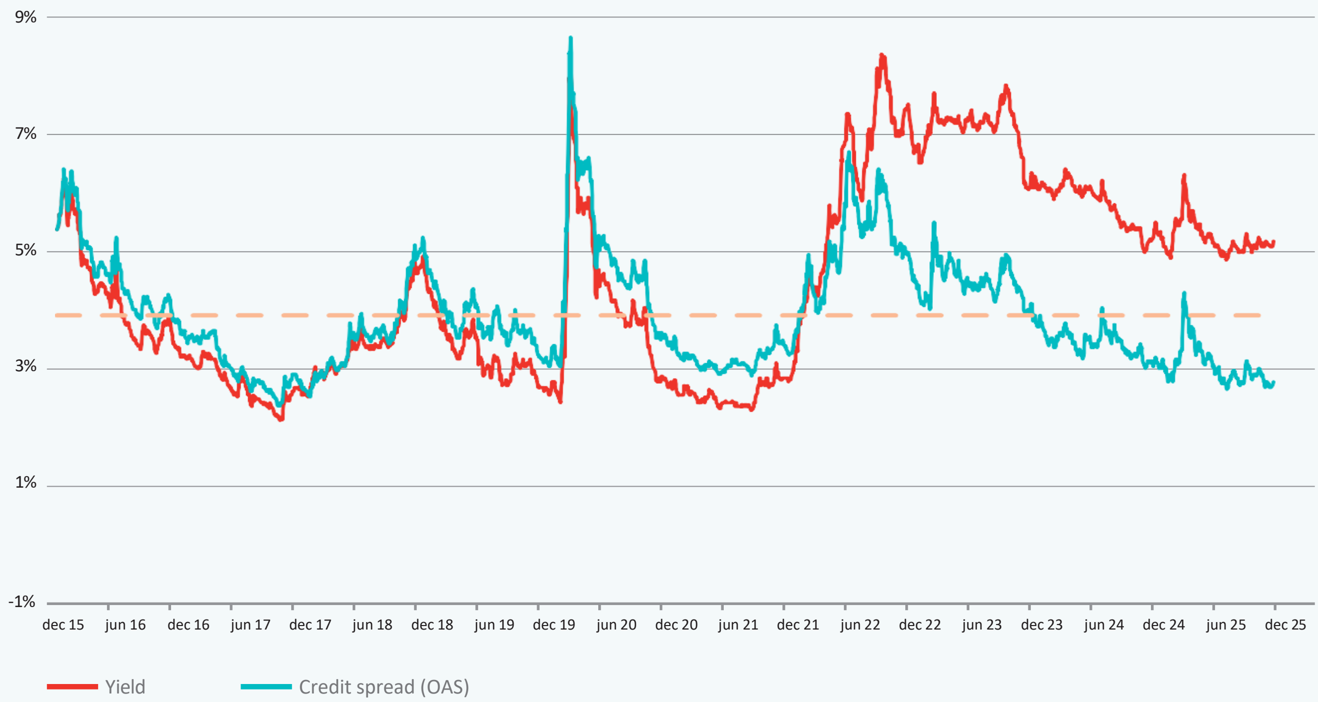
Source: Author’s own elaboration, Santander TFI

5. Corporate bond market still favourable environment, but demanding valuations

The past year brought further declines in credit spreads. However this was largely offset byrising yields in core markets, leaving overall yields on European corporate bonds relatively stable.

The macroeconomic environment should remain favourable for this asset class; however, current valuations call for a higher degree of caution. Primary market issuanceis expected to remain elevated driven bya heavy schedule of maturing debt. This creates risks primarily for issuers in the highest credit risk segments, where rising financing costs may pose a significant challenge for companies with weaker fundamentals. Recent months have already shown a gradual widening in spreads of the lowest-rated corporate bonds. We expect risk premia for both Investment Grade (IG) and High-Yield (HY) bonds to widen slightly from their historic lows. **Despite the expected spread widening, the high carry provides a significant cushion. Consequently, we believe the asset class can still deliver solid positive returns, albeit more modest than in 2025.** In contrast, we view the Polish corporate bond market as lessattractive, with compressed credit spreads. Their current levels, compared for example with the discount margins offered by government bonds do not offer an attractive risk-adjusted entry point.

Yield and spread of the ICE BofA Euro High Yield Index



Source: Author's own elaboration, Santander TFI

Key risk factors and potential opportunities

AI – strong fundamentals, butrisk of correction if monetisation is too slow

The investment boom in AI is based on solid fundamentals and high capital expenditure. Whilecurrent valuationshave increased significantly, they remain below dot-com era levels. Growth is supported by organic earnings expansion, supported by resilient balance sheets and order backlogs among industry leaders. No investment boom has ever resulted in capital expenditure perfectly aligns future demand. **If investors perceive the pace of monetisation as lagging, the premium for future growth (and thus valuations) may decline**. In such a scenario, the largest beneficiaries of the expansion of AI capacity —which dominate U.S. and global equity indices — would be hit first. **Additional risks include technological change and growing competition from China, which could undermine the dominance of U.S. leaders.**

Inflation and the risk of market complacency

Market sentiment remains optimistic, and cash levels in institutional investors' portfolios are at their lowest in years, indicating high exposure to risk assets. Certain signs of market complacency are visible, which warrant caution. Any downward revision to economic growth expectations, persistent inflationary pressures or a pivot away from the "rate cut trade" by the Federal Reserve, could trigger a strong negative reaction in risk assets. Furthermore a ,,higher for longer" monetary stance would maintain an upward pressure on bond yields, which would further increase pressure on the valuations of growth companies.

Geopolitics: U.S.–China rivalry, the war in Ukraine and global tensions

Technological and trade rivalry between the United States and China, as well as the risk of incidents in the Taiwan Strait or the South China Sea, remain key sources of uncertainty for global markets. Additionally the war in Ukraine, now entering its fourth year is leading to exhaustion on both sides. Pressure from European countries and the United States to achieve a lasting peace solution is growing, although the feasibility of such a scenario remains uncertain. **A successful peace framework would likely be positively received by market participants, lower the region's risk premium and boosting valuations for companies with exposure to the region.**

Notably, 2026 marks a FIFA World Cup year, which will be hosted, among others, in the United States. This is a strategic incentive for the U.S. to avoid geopolitical escalation during this period in order to maintain a stable image and supportive economic conditions. Although this effect is likely to be temporary, it may help to ease tensions over the course of 2026.

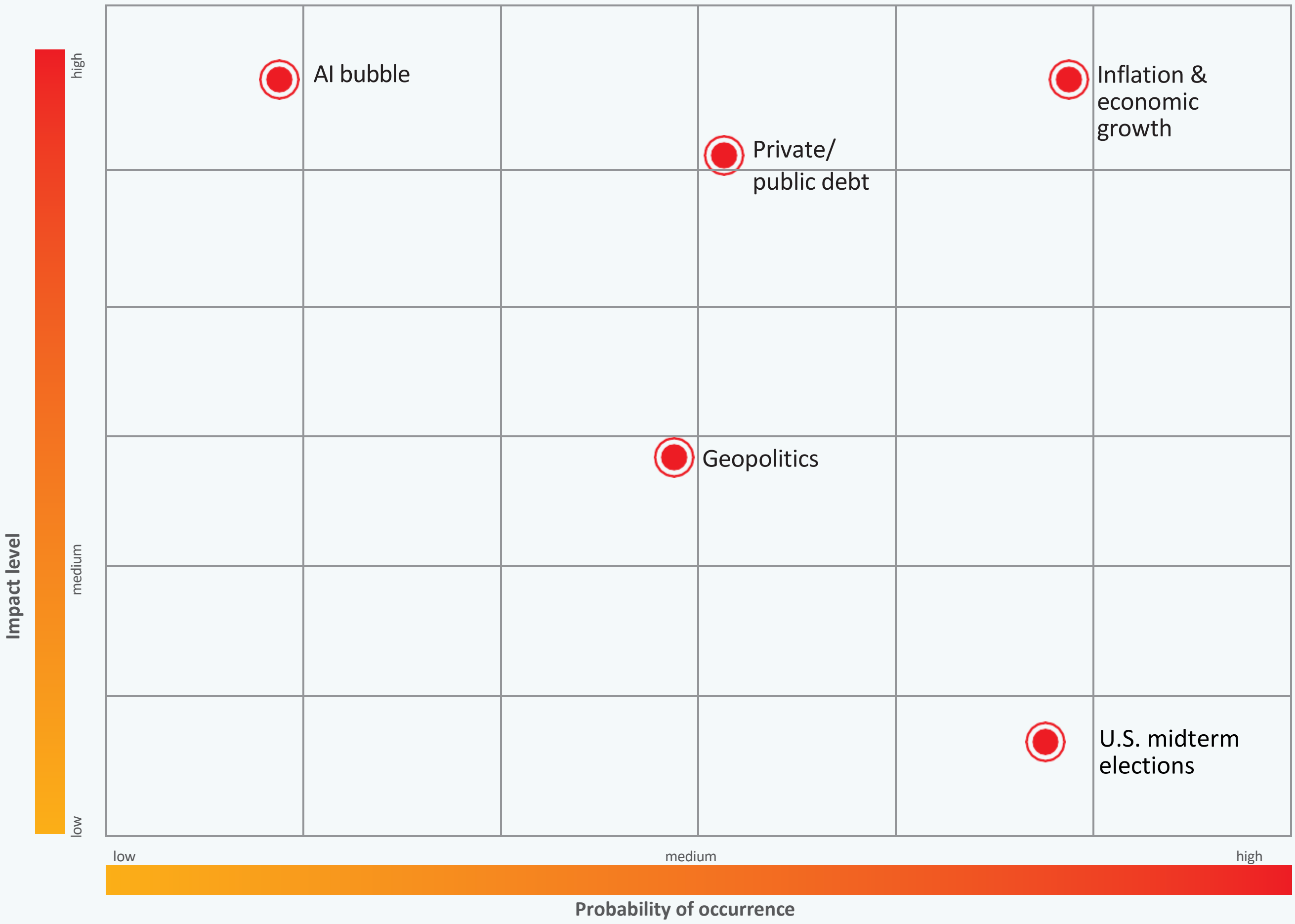
Rising concerns over public and private debt

Rising government indebtedness coupled with elevated yields and loose standards in private credit markets increase vulnerability to defaults in the event of an economic slowdown. Entities financing the expansion of data center infrastructure are particularly sensitive, as high leverage could become a problem under the weight of rising debt servicing costs.

U.S. midterm elections

A potential loss of Republican control of the U.S. Congress could limit the administration's ability to pursue a coherent fiscal and stimulus policy, increasing the risk of legislative gridlock. On the other hand, a greater balance of political power may serve as a check on extreme policy measures, but in the short term it raises regulatory uncertainty in sectors dependent on federal subsidies.

Risk map



Source: Author's own elaboration, Santander TFI

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