Santander

Think Investments

Spring 2025

Together with Santander Asset Management

Welcome

Think Investments helps you keep in touch with and navigate your way around the world of investments.

Spring is traditionally a time for fresh starts, for getting organised and setting up plans for the rest of the year and sometimes further ahead. That might mean sorting out your garden, clearing out your cupboards or making sure your finances remain on track.

In this edition of Think Investments, we look at some things to think about to make sure you're making the most of tax efficient savings. As the new tax year approaches on 6 April, now is a good time to review your ISA if you have one. If you don't, then now is the ideal time to think about whether it's the right thing for you.

We share details of our Stocks and Shares ISA prize draw where we have 150 cash prizes up for grabs. You have the chance to win up to £1,000 if you invest a £100 lump sum/and or a £20 monthly direct debit.

In our second article we review the financial markets covering the period from your last investment statement.

Finally, we provide a forward looking perspective of financial markets.

As always, we hope you find Think Investments an interesting and helpful read.

Cassie Waller

Chief Executive Officer
Santander Asset Management UK

Are you making the most of tax efficient savings?

It's easier than you might think to make your money work hard for you.

ISAs are an ideal way to put your money to work as they can combine three key elements: taking a long-term view, benefiting from compound interest and tax efficiency.

As the new tax year starts on 6 April, now is the time to make the most of your ISA allowances.

Tax benefits can work in your favour

While your choice of investment matters, investing tax efficiently may have a greater impact over the long term. ISAs are a very simple way of making tax benefits work to your advantage.

For the 2024/25 and 2025/26 tax years, you can pay a total of £20,000 in each tax year into one or more ISAs. £9,000 can also be paid into a Junior ISA for children under the age of 18. These allowances may change in the future.

If you have a cash ISA, you don't pay tax on any interest received. With a stocks and shares ISA, you don't pay tax on any income or capital gains from the investments. Because you're not paying tax, more of your money can benefit from possible interest or dividends. There's then more money to benefit from any future growth, and so it goes on.

If you're investing for the long-term – at least five years or more – this combination of tax efficiency and compound growth can help you reach your financial goals.

More reasons to invest in an ISA

From the start of the 2024/2025 tax year, the Capital Gains Tax (CGT) annual exempt amount for individuals reduced from £6,000 to £3,000. This makes the tax efficiencies of an ISA even more valuable and is another reason for using as much of your ISA allowance as possible.

2024 was a year of change for ISAs

New rules brought in during 2024 mean you can pay into more than one ISA of the same type in each tax year: (cash, stocks and shares and innovative finance ISAs), as long as you don't exceed your overall annual allowance. You can also transfer part of any money you have paid in the current tax year between ISA managers, however, not all ISA managers offer this. Finally, if you have an ISA but didn't pay into it in the last tax year, you no longer have to make a fresh ISA application. However, some ISA managers may still ask you to complete an ISA declaration to continue to pay into the ISA.

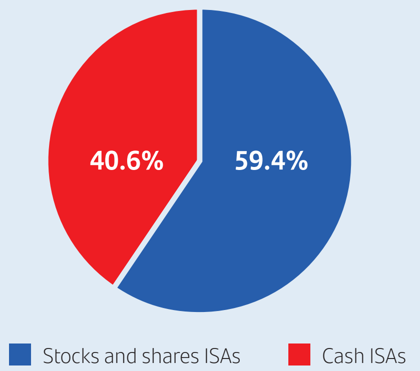
Be aware

It's important to keep in mind that moving money between ISAs is a technical process. For example, it must be transferred from one ISA product to another. You can contact your new ISA provider who will request a transfer for you. If you withdraw money as cash to pay into another ISA, it'll lose the existing tax efficient status, and if you then pay it back into an ISA, it'll count towards your current tax year annual ISA allowance.

ISAs are a popular investment choice

At the end of the 2022/23 tax year, the market value of all adult stocks and shares and cash ISA holdings totalled £725.1bn, with 59.4% in stocks and shares ISAs and 40.6% in cash ISAs.[1]

Market value of all UK adult ISA holdings at 2022/23 (£725.1bn)



Investing for long-term growth

The Bank of England stated in its February interest rate announcement that UK inflation is expected to reach 3.75% in late 2025, well above the 2% target set by government and central banks.[2] The February interest rate cut, to 4.5%, is predicted to be the first of several over the rest of the year to stimulate spending and economic growth.[3]

As interest rates fall, cash savings tend to become less attractive. Keeping up with, or ideally beating, inflation over the long term requires more growth and that can come with investing. As a result, people may be willing to take some risk with their money for the possibility of better returns.

It's important to remember that no investment is guaranteed, investments can go down as well as up, and you may get back less than you put in.

However, you can choose funds with different levels of risk, finding a level of risk and possible reward you're comfortable with. Multi-asset funds are a good way of investing in a range of different assets, sectors and countries all in one risk-rated fund.

You can easily see how your ISA is doing using your online banking app.

Whether and how you make the most of your ISA allowance will depend on your personal circumstances. You might find it helpful to speak with a financial adviser before deciding on the best options for you and your money.

The favourable tax treatment of ISAs may change in the future and depends on your individual circumstances.

[1] Gov.uk – Commentary for Annual savings statistics: September 2024, 4 December 2024 (Section 1.3).
[2] The Bank of England – Monetary Policy Summary: February 2025, 6 February 2025.
[3] BBC – Bank of England cuts interest rates to 4.5% and slashes UK growth forecast, 6 February 2025.

Stocks and Shares ISA prize draw

We've launched our new Stocks and Shares ISA prize draw for existing and new customers. When you invest a £100 lump sum and/or a £20 direct debit into a Stocks and Shares ISA on the Investment Hub, you're automatically entered into the prize draw and in with a chance of winning a slice of £30K.

We have 150 cash prizes up for grabs across the campaign. There are 50 prizes per prize draw period, including 40 prizes of £100, 8 prizes of £500 and 2 prizes of £1,000.

We're running three prize draws across the campaign period 18 February to 31 May 2025.

- **Prize Draw 1 – 18 February 2025 to 31 March 2025**
- **Prize Draw 2 – 1 April 2025 to 30 April 2024**
- **Prize Draw 3 – 1 May 2025 to 31 May 2025**

For full details of prize draw, please read the **Terms and Conditions**

Santander Market Review

19 November 2024 - 17 February 2025

Summary

Global stock markets rose over the three months to 17 February 2025, however, the period was underscored by investor concerns over US import tariffs, political uncertainty in Europe and rising inflation.

Ultimately, the performance of the Hong Kong, German, French and UK stock markets were the strongest, with shares outperforming bonds, albeit bonds did make positive progress. European stocks performed well as tariff fears abated. The UK's FTSE 100 index saw significant gains due to a weaker pound and the strong performance of large-cap companies with international earnings. Meanwhile US technology stocks faced challenges from a new Chinese AI model, DeepSeek.

As a result, investment portfolios with greater allocations to shares benefitted from the stock market gains, whilst portfolios with larger weightings in bonds fared less well.

Interest Rates and Inflation

Global interest rates were adjusted multiple times. In November, the US Federal Reserve (Fed) reduced rates to 4.50 - 4.75%, and again the following month to 4.25% - 4.50%. The Bank of England (BoE) cut rates to 4.75% then to 4.50%, and halved its growth forecast for the UK economy, predicting inflation could rise to 3.7% during the year. In January, the European Central Bank (ECB) cut its key rate to 2.75%.

Geopolitical Factors

Geopolitical events had a significant impact on market sentiment and therefore returns. Donald Trump's re-election initially boosted US stocks, but his tariff policies created volatility. In February, a 10% tariff on Chinese goods led to retaliatory levies from China. Political instability in Germany and France added to uncertainties, but the easing of tariff fears improved sentiment which bolstered European markets returns.

Article provided by Santander Asset Management UK for Santander Investment customers.

Market Outlook

The global economic environment is stabilising, with falling interest rates expected in the US, UK, and eurozone due to easing inflation. However, there are risks such as a slowdown in global growth or a resurgence in inflation.

In the US, uncertainties around President Trump's policies may cause market volatility as investors react to changes in policy. We are particularly vigilant about the implications of any future tariffs imposed by Trump and the potential escalation of trade wars.

In the UK, economic recovery continues albeit cautiously. The journey to the Bank of England's 2% inflation target may prove challenging, with 'bumps' along the way, rising to 3.7% in the short term. We anticipate two interest rate cuts in 2025. Market expectations for inflation have risen, but we still expect prices to gradually decrease to the target rate. The risk of rising UK inflation is less concerning than the risk of stunted economic growth. However, we believe the balance between inflation and growth is currently stable, and our focus will be on how the Bank of England responds in its next few meetings to maintain this equilibrium.

In Europe, the German general election and the Russia-Ukraine peace talks are key events to watch. Investors will watch keenly the election results and look for any changes in policy and the subsequent implications for the stockmarket performance.

In fixed income, we see opportunities in combining government bonds, high-yield corporate bonds, and emerging market bonds. This mix offers a balance of security and higher yields. Overall, while we appreciate that risks are present, we believe that a combination of moderate growth and inflation will produce a favourable backdrop for fixed-income investments.

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