Santander

Think Investments

Autumn 2025

Welcome

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

Do you think about the future? Life is so busy it can be hard to look ahead, but it's time well spent.

One of the main benefits of setting goals for the next few years, or much further ahead, is that you can see how you're progressing towards them.

Rather than just thinking you'd like to move house in a few years' time or retire at a certain age. Planning, saving and investing can all go towards making these dreams a reality.

Our first article is all about setting your money goals as the first step to achieving them.

These tend to be long-term, often a comfortable retirement with the freedom to do what you want.

We explore the power of investing over the long-term to help achieve these goals.

Hear from our lucky Select customers on how seeking financial advice and putting long term plans in place for their future gave them the opportunity to experience Formula 1 racing at its finest.

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

Brian Odendaal

Chief Operating Officer
Santander Asset Management UK

Defining your money goals

Clear targets pave the way to success.

Setting money aside for the future is always a good idea. What's even better is to have a clear idea of exactly what you're setting that money aside for, and when you might use it. Also think about whether you want your money to grow, or you just want to know it's there if you need it.

Getting off on the right foot

A specific target, 'today I'm going to walk 10,000 steps' for example, lets you know exactly what you're working towards, rather than 'today I'm going to go on a walk'. Both are good as you're out in the fresh air and moving, but a specific goal will help if you want to build up how far you walk or keep yourself healthy.

You can see exactly how you're progressing towards that goal, whether you're ahead or behind your target and what action you might need to take. It can stop you giving up, and most importantly, you know when you've achieved your goal.

The same applies for money goals. A clear picture of what you're working towards helps to shape your thinking. Putting money aside is a good start, but setting specific targets can be a major motivator. When you can visualise what you're working towards, you're less likely to give up or dip into your pot. So you won't set yourself back in achieving your goal.

Cash or investing?

While the value of money held in cash won't go up and down the way investments can, its value will fall over time in real terms. That's because of inflation, the rising prices of everyday items, reduces how much your money will buy over time. Investment growth is the best way to beat inflation over the long-term for 'real' growth.

What are your money goals?

While everyone is different, your goals and plans will be specific to you. There's usually three broad types of money goals:

1. **An emergency fund – cash, when you need it**

   Easily accessible cash for large, unexpected costs like a new boiler or fridge freezer, a car repair or vet's bill, or even if you can't work for a while. All the things life can throw at us with no notice. Three to six months of essential outgoings in cash is usually considered a good target to aim for.

   An emergency fund should be separate from your day-to-day bank account, and should be in place before you set money aside for anything else.

2. **Short-term goals – cash, saved for a specific purpose**

   If you're planning for something in the next five years, like buying a house, getting married or a big holiday, then saving might be a good option.

   Putting money aside for the short term will usually mean saving it in cash, keeping it safe and making sure the value doesn't fall, rather than trying to grow your money. If you know you won't need access for at least one year, you might be able to take advantage of fixed-term savings accounts or cash ISA deals.

3. **Long-term goals – investing for the future**

   Longer-term goals are all about growing your money over time – five years or ideally more – and that means investing.

   Examples might include retirement income or leaving money behind to help your loved ones. A longer-term view means you can take some risk with your money as there's more time for the inevitable ups and downs of the markets to smooth out. While past performance is not a guide to the future and no investment is guaranteed, history shows that markets tend to increase over time.

Starting small is a good start

You don't need a lot of money to start saving or investing. For example, with Santander's Investment Hub you can start investing with as little as £20 per month or a £100 lump sum. It's easy to get started and you can manage your money online. You can keep it simple and pick from Santander Asset Management UK's 4 ready-made investment funds, or choose your own from a wide range of other funds. You can add to this over time, knowing that you're progressing towards your goals.

Long and short-term goals, saving and investing, all have an important part to play in a balanced financial plan. Please remember that investments can go up as well as down. The key is finding the right balance for you. If you're not sure about your goals or how to achieve them, you might find it helpful to speak with a Financial Planning Manager.

Santander Market Review

19 May – 18 August 2025

Most of the world's stock markets made strong gains over the three months to 18 August 2025. Some markets hit new highs. This came as the US struck trade deals with a number of countries ahead of the end to the 90-day tariff suspensions in August. These deals gave investors hope that the impact of the tariffs would be less severe than earlier feared.

There were some brief downturns in stock markets in June, when war broke out between Israel and Iran, and in early August, when President Trump imposed a new round of tariffs and US jobs data proved weaker than expected. But all in all, stocks were strong over the period.

Bond markets continued to be volatile, although there was little change overall. US Treasury bonds made small gains.

Given these moves, investment portfolios with greater weightings to shares were boosted by the rises in the stock market. Portfolios with larger weightings to bonds performed less well.

Interest rates and inflation

Over the three months, central banks' approaches to interest rates varied. The US Federal Reserve (Fed) left rates unchanged at 4.25%–4.50%. Fed officials pointed to signs of a slowdown in the economy and inflation that was still high. Inflation in the US rose from 2.4% in May to 2.7% in June and stayed at that level in July. In the UK, the Bank of England cut rates just once over the period, to 4.00% on 7 August. The European Central Bank also cut its key rate once, to 2.15% on 11 June.

Geopolitical factors

In June, conflict broke out between Israel and Iran, with Israel launching attacks on Iran's military infrastructure and nuclear facilities. This led to falls in stock markets and a sharp rise in the oil price. The US intervened by bombing some of Iran's nuclear sites, but a ceasefire followed soon after. This helped to restore calm to the markets. Meanwhile, the conflicts in Gaza and Ukraine continued.

In August, President Trump imposed many of the tariffs that had been announced and then suspended in April. The US also imposed some new tariffs on some of its trading partners.

Stay focused: The power of long-term investing

In times of market uncertainty, it's natural to feel uneasy. Headlines can be worrying, and short-term dips might tempt investors to make quick decisions. But history shows that staying invested and focusing on long-term goals can be far more rewarding.

Investments vs cash

In the 130 years before the year 2025, UK shares have outperformed cash held in savings accounts in 91% of all 10-year periods. Even over shorter time frames — like 2, 3, or 5 years — shares still outperformed cash more than 70% of the time. This highlights a key point: while markets might fluctuate in the short term, they tend to reward patience over time.[1]

Why delaying can cost more than you think

Let's say you invest a one-off £30,000 today and it grows at 5% a year. After 40 years, that investment could grow to around £211,200. But if you waited 10 years before investing the same amount, you'd only have about £129,700 after 30 years. That's a difference of over £81,500 — just from waiting.

This is the power of compounding: your investment earns returns, and those returns earn more returns over time. The earlier you start, the more time your money has to grow.

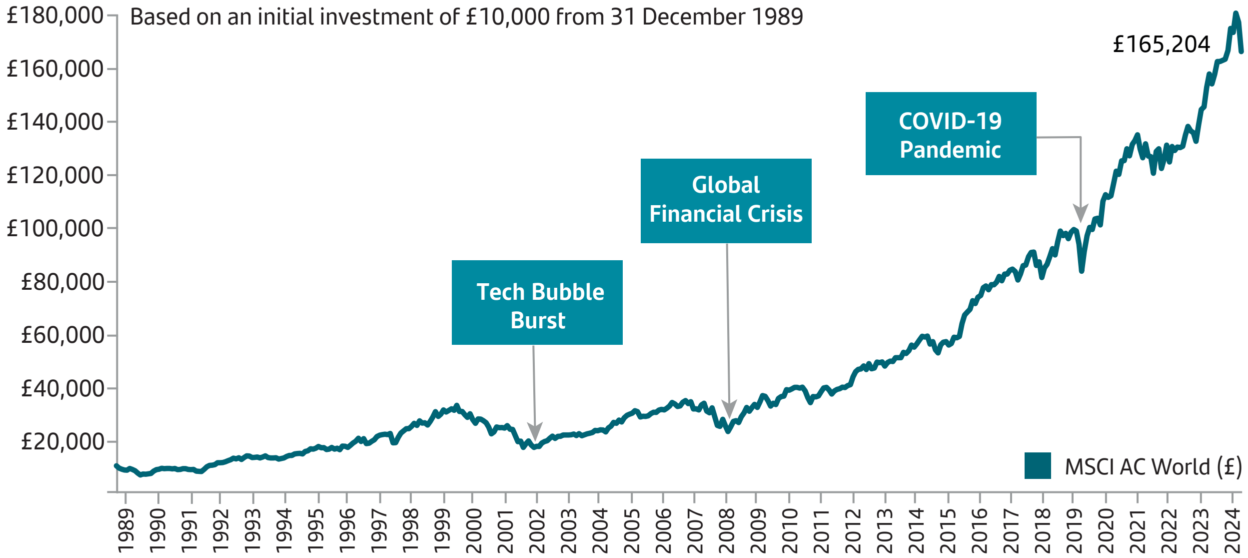
Timing the market

Trying to time the market — buying low and selling high — sounds appealing, but it's incredibly difficult to get right. Missing just the top 30 days of market performance over the last 30 years would drastically reduce your returns. Instead, staying invested through ups and downs often leads to better outcomes than trying to predict the perfect moment.

Staying invested through ups and downs

Even during major global events, those who stayed invested often found their portfolios not only recovered but also continued to grow over time. A £10,000 investment in global stocks[2] in 1989 would have grown to over £165,000 by March 2025 — despite market crashes and economic shocks along the way.

[1] 2024 Equity Gilt Study, Barclays Research, as at February 2025.
[2] Figures based on the MSCI AC World Index.



Source: Santander Asset Management UK.
Data: MSCI AC WORLD as of the end of March 2025, in GBP.

Please remember past performance is not a guide to future performance.

Long-term investing

The message is clear: short-term events might cause concern, but they shouldn't derail your long-term plans. Investing is a journey, not a sprint. Staying the course, reinvesting income, and resisting the urge to react to every market movement can help you reach your financial goals.

If you're feeling uncertain, speak to a Financial Planning Manager. But remember — time in the market, not timing the market, is what matters most.

Taking the chequered flag: Our British Grand Prix winners

Planning for your financial future can be rewarding in more ways than one. Just ask our two lucky British Grand Prix prize draw winners, who discovered that seeking investment advice led to a memorable weekend at Silverstone.

Why investment advice matters

Taking investment advice is one of the smartest decisions you can make for your future. It helps you build wealth over time and opens doors to experiences you might never have imagined. Our Select customer winners entered the prize draw after meeting with their Financial Planning Manager. A step that started their financial planning journey and gave them the chance to experience Formula 1 racing at its finest.

Mr and Mrs Smalley's camping adventure

Mr and Mrs Smalley were absolutely delighted when they heard they'd won. Their plan was simple but brilliant: hire a camper van and stay at a campsite for the entire weekend. Despite Britain's classic rainy weather, the couple enjoyed every moment of the British Grand Prix Experience.

Mrs Foudy's special gift

Mrs Foudy's story shows how investment advice can change lives. She'd never invested before and wasn't sure about the risks involved. After researching and speaking with her adviser, she decided to trust us with her financial future. A decision that paid off in an unexpected way.

Her nephew had been a keen go-kart racer but recently sold his kart to prepare for his first child. Mrs Foudy decided to invite him as her guest, turning her prize into a special bonding experience and giving him a chance to return to his racing roots.

A weekend to remember

Both winners enjoyed Grandstand seats and experienced the thrill of Formula 1 racing up close. Rain or shine, Silverstone delivered a memorable weekend that reminded them why taking that first step towards Financial Planning was such a good decision.

Ready to start your own investment journey? Your Financial Planning Manager is waiting to help you build a brighter future – and who knows what opportunities might come your way.

Mr and Mrs Smalley

Mrs Foudy

Santander Market Outlook

As a result of President Trump's policies, the outlook for US assets has become less favourable. Trump has attacked the Fed on social media. In July, he fired the head of the US Bureau of Labour Statistics after it reported a slowdown in jobs growth. This has dented investors' confidence in the US, its institutions and the dollar.

We expect growth to be slower than normal around the world, with inflation staying higher than target levels, particularly in the US. Although the effect of tariffs on inflation might be only short term, it's slowing the return to normal levels. Tariffs are likely to reduce US economic growth by a significant amount. This makes it harder to predict how inflation and interest rates will change. Meanwhile, government debt is high around the world, as are bond yields, which means that government interest payments are more expensive.

Given all this, we're cautious in our positioning. We still prefer bonds and 'safe haven' assets such as gold over stocks. In our view, stocks now appear to be priced for best-case outcomes, which makes us wary. Within both stocks and bonds, we favour more defensive sectors and factors. We have a slight preference for shares listed in Europe over those listed in the US. In the same way, we favour European government bonds over their US peers. We also prefer bonds with shorter maturities, which are less sensitive to longer term inflation and growth changes.

Although we're wary of the optimism that has driven markets up this year, we can see some possible positives ahead. These could include a scaling back of tariffs and further increases to spending in Europe, driven primarily by a Germany led fiscal loosening. We could also see tax cuts and deregulation in the US, as in Trump's first term. And any major increase in China's government spending would be positive not only for China, but for also for the broader region.

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