

Santander GO Global Equity ESG

1 / 2022

Fund commentary

Market developments

Global equity markets had a rough start to the year with the MSCI World index down almost 4% in January. Compared to a stellar 2021, however, it is not that unusual to see equity markets taking a breather, especially not against the background of a step-change in monetary policy, rising geopolitical tensions and some near-term growth concerns. As the Federal Reserve expressed its discomfort with persistently high inflation, the expectation is for faster tapering of its balance sheet. Moreover, in general, more rate hikes are expected, potentially outside the US too, making equity markets somewhat nervous at the moment.

Largest holdings

The top holdings in the portfolio are still largely the same, with our largest active position being Bank of America, which will likely benefit from interest rates moving higher now the Federal Reserve has signaled it will start tapering in the near-term. Our second largest active weight is AstraZeneca, which has one of the strongest product pipelines in Pharmaceuticals, while at the same time having low risk to patent expiries. Alphabet completes our top-3 active positions, which remains one of our preferred plays on the growing market of digital advertising.

Performance

In January, our strategy slightly underperformed relative to the benchmark. Strong sector positions in Information Technology, Healthcare, Industrials and Consumer Discretionary added most to performance, but was offset by weaker performance in Financials, Energy and Materials. The main positive contributor to performance was Bank of America, posting strong earnings results and still well positioned for future interest rate hikes. Cheniere Energy, a pure-play LNG company, clearly benefited from the market rotation into the cyclical Energy space. We also saw a very good reaction to a strong earnings report from lighting manufacturer Signify, indicating most of its supply chain issues are in the rearview mirror and lifting its growth outlook. We had a detractor to performance from our more richly valued holdings such as DSM, Accenture, Trane Technologies and Eli Lilly, which all gave back some of their recent gains, but currently suffering from the rotation out of the more expensive pockets of the market.

Portfolio Changes

During the month of January, we have added insurance company Allianz to the portfolio as well increased our position in Deutsche Boerse, Capital One and Bank of America, as we think that rising short rates will help the Financials. We like Allianz as it is a quality play on a more favorable P&C cycle and still trades at a very attractive valuation. In order to fund

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our new position in Allianz, we took some profits in Marsh & McLennan and sold our holding in Nasdaq, both of which have been strong performers in 2021. We also sold our positions in Charter Communications and Adobe, both having reached their price targets and trading at elevated multiples. We did add Electronic Arts back to the portfolio, a quality gaming company trading at an attractive FCF yield and a potential take-out target in the global consolidation wave amongst gaming companies. Lastly, we have added to our position in Cheniere Energy, which we see as one of the major beneficiaries of high energy prices.

Management expectations

We maintain a long-term positive outlook for developed market equities. We do think that macro risks are increasing, as the US Federal Reserve (Fed) has indicated it wants to start tapering rather sooner than later, i.e., reduce the pace of its balance sheet expansion. The first rate hikes have been signaled for the first half of 2022. Meanwhile, global earnings revisions are likely peaking out, after a very strong post-pandemic rebound. Despite valuations not looking overly stretched, we are more cautious near-term given ongoing inflation concerns, the more hawkish Fed stance and broader geopolitical implications from tensions between Russia and the Ukraine.

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