

# Santander GO Global Equity ESG

5 / 2022

## Fund commentary

### Market developments

Markets once again were very volatile during the month of May. As inflation news continues to surprise on the upside, and indicators of economic activity continue to point to a significant slowdown, this has led to a continuation of the correction in the market. We have also had more direction from the US Federal Reserve in that we know expect the Fed to hike by 50 basis points at both Fed meetings in June and July. As rates continue to normalize and economic activity comes down, the market will have a hard time settling down.

### Largest holdings

The top holdings in the portfolio are still roughly the same, with our largest active position being AstraZeneca, which has one of the strongest product pipelines in Pharmaceuticals, while at the same time having low risk to patent expiries. Our second largest active weight is Cheniere Energy, which is our preferred pure-play on significantly rising US LNG exports. Bank of America completes our top-3 active positions, which will likely benefit from interest rates moving higher now the Federal Reserve has started its tapering policy and increased interest rates.

### Performance

In May, our strategy slightly underperformed the benchmark. Strong stock picking in Consumer Staples, Consumer Discretionary and Information Technology added most to performance, but was somewhat offset by weaker performance in Financials and Energy. Overall, we continue to have relatively decent relative performance, while absolute returns for the year are depressed. Main contributors to performance were Eli Lilly which reported encouraging data on new diabetes related medicine. We also saw good contribution from Aspen Technology that closed the deal with Emerson to combine the software businesses from both entities. We think this will be a very interesting combination that broadens Aspen's business outside Energy and Chemicals, to also include Utilities and Engineering and Construction. We also saw good contribution from Electronic Arts as it reported good results, which continue to underline its strategic value.

### Portfolio Changes

During the month of May, we have taken our weight down further in more expensive names, and we have continued to bottom-fish for high quality names that would raise the overall ROIC, FCF and Sustainability profile of the portfolio. We have reduced our weight in Advance Auto Parts and Amazon in Consumer Discretionary, while adding Home Depot and AutoZone as new names to the portfolio. In addition, we have added Advance Micro Devices in Information Technology.

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AMD reported really strong results, fueled by still very strong growth within the hyper-scale compute and datacenter segments. We also think that new product introductions from Intel will be delayed further, which will lead to further share gains from AMD in the server market. In Consumer Staples, we have added Costco to the portfolio. We think that its subscription model makes it a more resilient name within the Staples sector.

## Management expectations

We are cautious on our outlook for developed market equities as macro risks have clearly increased. Global economic growth is slowing down significantly and we think that the possibility of an economic recession in parts of the world are rising. We also see consumer strength moderating and especially consumer sentiment has turned outright bearish. At this stage we do have to prepare for a scenario where the economic spillover from the Ukraine invasion is more severe than thought. We also think see overall demand destruction from surging inflation. We also must not forget about Covid just yet with several strict lockdowns in China resurfacing once again. All in all, despite valuations having reached more normalized levels, we remain more cautious near-term given ongoing inflation concerns and the impact on equity fund flows from broader geopolitical uncertainty. Our strategy has firmed up on our Quality exposure as to navigate the current environment as well as possible.

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