

Santander GO Global Equity ESG

5 / 2023

Fund commentary

Market developments

The Artificial Intelligence (AI) goldrush on one end and the US debt ceiling buzz killer on the other, resulted in flattish global equity returns overall in the month of May (+2% in EUR, -1% in USD). Against a still uninspiring macro background, the renewed tech frenzy on the back of NVIDIA's mind blowing guidance upgrade on splurging AI demand caused in an even narrower market leadership amongst the Tech giants. Looking at the S&P500 alone, the Tech sector alone contributed 8.2% points of the overall 9.2% return on the year. In fact, the largest five stocks in that index now make up just under 25% of the index's market cap – the highest percentage since 1972(!). This seems unhealthy and actually masks underlying caution in the broader equities space, where most sectors are trading in red so far this year. Meanwhile, the US debt ceiling drama took out some of the market excitement. Tough discussions to craft a potential deal around government spending kept many awake at times, but somehow never really led to sleepless nights, arguing the political spats would be resolved one way or another. And indeed, at the last moment a compromise agreement was reached, averting the doomsday scenario of an immediate US government shutdown, something markets anticipated already. However, both the frantic reaction to the AI news flows and the calm with which the markets approach the debt saga seems tricky to us, so to us it makes most sense to stick to our knitting in terms of our Quality defensive positioning.

Largest holdings

Claiming the top spot as our largest active position remains Alphabet, which remains our favorite play within digital advertising and search, which also seems well-positioned to benefit from the increased demand for AI in all layers of the technology stack. In second place we find Eli Lilly, a large US pharma which one of the strongest track records in the industry in terms of product innovation including in large therapeutic areas such as Alzheimer's disease, obesity and diabetes. Third is UK pharma company AstraZeneca, enjoying one of the strongest product pipelines in pharmaceuticals, while at the same time having low risk to patent expiries.

Performance

May turned out to be a decent month for our strategy with a slight excess return versus the benchmark. At the sector level, Communication Services and Healthcare really stood out, while Industrials and Consumer Discretionary lagged during the month. On a stock level, Alphabet was the largest performance contributor as it convincingly showcased the

This document has been prepared by Santander Asset Management Luxembourg S.A. in relation to one or more Luxembourg undertakings for collective investment in transferable securities ("UCITS") under its management, under and in accordance with the UCITS Directive, and is provided solely in confidence for the recipient for the specific purpose of evaluating a potential investment or an existing investment in a UCITS managed by Santander Asset Management Luxembourg S.A.

This document is a marketing communication. Please refer to the prospectus of the UCITS and to the key information document ("KID") or for UK investors the key investor information document ("KIID") before making any final investment decisions, purchasing or converting shares or redeeming investments, together with the list of countries where the UCITS is registered for sale, available at www.santanderassetmanagement.lu or via authorized intermediaries in your country of residence.

This document is intended to provide information that summarizes the main characteristics of the UCITS and under no circumstances constitutes a contractual agreement or an information document required by any legislative provision. It is not a recommendation, personalized investment advice, an offer or solicitation to buy or sell any shares in the UCITS described in this document. Likewise, the distribution of this document to a client, or to a third party, should not be regarded as a provision or an offer of investment advisory services.

The UCITS described in this document may not be notified and registered for marketing in all EEA Member States under the UCITS Directive marketing passport and Santander Asset Management Luxembourg S.A. and/or the UCITS has the right to terminate the arrangements made for marketing of the UCITS in certain jurisdictions and to certain investors in accordance with applicable laws and regulations, including the UCITS Directive provisions.

It has not been proven that the data contained in this document meet marketing requirements of all countries of sale. The UCITS described in this document may not be eligible for sale or distribution in certain jurisdictions or to certain categories or types of investors. This UCITS may not be directly or indirectly offered or sold to or for the benefit of a United States Person under FATCA regulation (Foreign Account Tax Compliance Act), in line with the selling restrictions of the prospectus of the UCITS.

Past performance does not predict future returns. The returns may increase or decrease as a result of currency fluctuations relative to the respective investors' currency.

Investment in the UCITS may be subject to investment risks, including but not limited to, market risk, credit risk, issuer and counterparty risk, liquidity risk, foreign currency risk and, where applicable, risks pertaining to emerging markets. Additionally, if the funds hold investments in hedge funds, real estate funds, commodities and private equity, it should be noted that these can be subject to valuation and operational risks inherent in this type of assets and markets as well as the risk of fraud or risk derived from investing in unregulated or unsupervised markets or unlisted assets. Complete information on the risks can be found in the relevant "Risk Factors" section of the UCITS prospectus and KID (or KIID for UK investors), which should be consulted and read by the investors.

This UCITS has a prospectus (which is drafted in English), a KID (drafted in English and other languages depending on the country of registration of the UCITS) and a KIID for UK investors (drafted in English), which can be obtained from www.santanderassetmanagement.lu

For product information, please contact Santander Asset Management Luxembourg S.A. (43, Avenue John F. Kennedy L-1855 Luxembourg - Grand Duchy of Luxembourg), management company of the UCITS under the supervision of the Commission de Surveillance du Secteur Financier (CSSF). The depositary and administrator of the UCITS is JP Morgan SE, Luxembourg Branch (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

Prior to investment in the UCITS it is advisable that the investor seeks personalized advice regarding taxation as it depends on the individual circumstances of each investor and may change in the future.

Investors can obtain a summary of investor rights in English from www.santanderassetmanagement.lu

Information herein is believed to be reliable. Santander Asset Management Luxembourg S.A. assumes no responsibility for any use of the information contained herein.

© Santander Asset Management Luxembourg S.A. All Rights Reserved.

capabilities of its AI search engine, dismissing most concerns that arose after an earlier, rushed reaction to Microsoft's Bing/ChatGPT plug-in, also illustrated by the fact Samsung is sticking with Google for search. In May, in the slipstream of AI behemoth NVIDIA, also AMD joined the fanfare as its GPU, accelerator and MI300 capabilities are deemed critical in the AI ecosystem. Meanwhile, in the Healthcare space, Eli Lilly continued its good run, helped by good test results for its Alzheimer's drug Donanemab. Meanwhile the company is entering a period of multiple pipeline readouts as well as launches of first of a kind drug compounds.

On the flipside, Finnish refiner Neste Oyj slipped on the back of Sweden's announcement to cut back on its biofuel mandates. Given the importance of the Swedish market to Neste Oyj, accounting for about 20% of its renewable biodiesel sales, it probably takes time for the company to re-allocate those volumes elsewhere. Though Neste Oyj is well positioned to do this and continues to see strong demand for its biofuel products overall, the market takes a more skeptical view for the moment.

Another detractor in the month of May has been Unilever Plc, where after a strong period, some question marks around the sustainability of its pricing and volume growth has crept into the story.

Portfolio changes

During the month of May we have sold our remaining position in Capital One as we think there will be incremental strain on the US consumer from tightening financial conditions. Other than that, we've only made some small changes to stocks exposed to the China consumer such as Nike and Alibaba group as the recovery in this area continues to disappoint, unfortunately. Instead, we've been adding a bit to safe havens Eli Lilly, Microsoft and Apple.

Management expectations

Although some Big Tech companies seem to have quintessential business models, parabolic moves up reminiscent to the Dot.com run-up in the late 1990s keeps us wary. Too few shoulders carrying a lot of weight brings into question the durability of the rally, hence broader market participation would be preferable. Moreover, the fact the US government averted a last minute shutdown, does not mean we have an all-clear signal. Still many related risks around a debt rating downgrade and liquidity issues in the banking system continue to loom large. Tiny wiggles in economic data points are likely pieces of a broader slowdown process - part of the proverbial pig moving through the snake. Equity markets have been buoyed by large liquidity flows for a while now including the \$2trn US budget deficit acting effectively as stimulus too, but we still find ourselves in a situation where this can unwind. Clearly pockets in spaces like Tech or healthcare can escape such worries, but in general it's the asymmetric downside to equities overall at this point that keeps us most comfortable residing in the Quality corner of the market.

This document has been prepared by Santander Asset Management Luxembourg S.A. in relation to one or more Luxembourg undertakings for collective investment in transferable securities ("UCITS") under its management, under and in accordance with the UCITS Directive, and is provided solely in confidence for the recipient for the specific purpose of evaluating a potential investment or an existing investment in a UCITS managed by Santander Asset Management Luxembourg S.A.

This document is a marketing communication. Please refer to the prospectus of the UCITS and to the key information document ("KID") or for UK investors the key investor information document ("KIID") before making any final investment decisions, purchasing or converting shares or redeeming investments, together with the list of countries where the UCITS is registered for sale, available at www.santanderassetmanagement.lu or via authorized intermediaries in your country of residence.

This document is intended to provide information that summarizes the main characteristics of the UCITS and under no circumstances constitutes a contractual agreement or an information document required by any legislative provision. It is not a recommendation, personalized investment advice, an offer or solicitation to buy or sell any shares in the UCITS described in this document. Likewise, the distribution of this document to a client, or to a third party, should not be regarded as a provision or an offer of investment advisory services.

The UCITS described in this document may not be notified and registered for marketing in all EEA Member States under the UCITS Directive marketing passport and Santander Asset Management Luxembourg S.A. and/or the UCITS has the right to terminate the arrangements made for marketing of the UCITS in certain jurisdictions and to certain investors in accordance with applicable laws and regulations, including the UCITS Directive provisions.

It has not been proven that the data contained in this document meet marketing requirements of all countries of sale. The UCITS described in this document may not be eligible for sale or distribution in certain jurisdictions or to certain categories or types of investors. This UCITS may not be directly or indirectly offered or sold to or for the benefit of a United States Person under FATCA regulation (Foreign Account Tax Compliance Act), in line with the selling restrictions of the prospectus of the UCITS.

Past performance does not predict future returns. The returns may increase or decrease as a result of currency fluctuations relative to the respective investors' currency.

Investment in the UCITS may be subject to investment risks, including but not limited to, market risk, credit risk, issuer and counterparty risk, liquidity risk, foreign currency risk and, where applicable, risks pertaining to emerging markets. Additionally, if the funds hold investments in hedge funds, real estate funds, commodities and private equity, it should be noted that these can be subject to valuation and operational risks inherent in this type of assets and markets as well as the risk of fraud or risk derived from investing in unregulated or unsupervised markets or unlisted assets. Complete information on the risks can be found in the relevant "Risk Factors" section of the UCITS prospectus and KID (or KIID for UK investors), which should be consulted and read by the investors.

This UCITS has a prospectus (which is drafted in English), a KID (drafted in English and other languages depending on the country of registration of the UCITS) and a KIID for UK investors (drafted in English), which can be obtained from www.santanderassetmanagement.lu

For product information, please contact Santander Asset Management Luxembourg S.A. (43, Avenue John F. Kennedy L-1855 Luxembourg - Grand Duchy of Luxembourg), management company of the UCITS under the supervision of the Commission de Surveillance du Secteur Financier (CSSF). The depositary and administrator of the UCITS is JP Morgan SE, Luxembourg Branch (6, route de Treves, L-2633 Senningerberg - Grand Duchy of Luxembourg).

Prior to investment in the UCITS it is advisable that the investor seeks personalized advice regarding taxation as it depends on the individual circumstances of each investor and may change in the future.

Investors can obtain a summary of investor rights in English from www.santanderassetmanagement.lu

Information herein is believed to be reliable. Santander Asset Management Luxembourg S.A. assumes no responsibility for any use of the information contained herein.

© Santander Asset Management Luxembourg S.A. All Rights Reserved.