Santander Asset Management

Santander GO Global Equity ESG

Marketing Communication

1 / 2024

Fund commentary

Market developments:

As the scoreboard went back to zero at the start of the year, all eyes were on what headlines could continue the bull run or, on the contrary, might ruin the party. At the end of the month, again the bull camp won, as global equity markets moved higher (+2.9% in EUR; +1.2% in USD). The market leadership we saw traces of in December, however, failed to come through this time. Similar to large parts of 2023, most performance was again carried by mega cap Tech, AI joy and GLP-1 news flows. Against the context of the same discussions around rate cut speed, geopolitical flashpoints and a potential China rebound, the same cohort of names beating the rest of the pack look eerily similar as well. One could argue market movements were not only driven by the US giants as several European bellwethers also reported solid numbers that helped the index higher. It does beg the question how much more dispersion between the winners and the rest we can expect. As per usual, we anxiously await the upcoming results season to give more insights into such a potential reshuffling.

Largest holdings:

Back as our top active position is Visa, as we believe it continues to benefit from the secular shift away from cash as well as from the rebound in cross-border transactions. We also still like the name as we do not think that there will be significant impact from the renewed discussion on interchange fees. Thermo Fisher is our second largest active position, which is a US life sciences toolmaker with arguably the best operating track record in the healthcare tool space. In combination with compelling valuation and signs that end-market weakness is bottoming out, means the set-up for Thermo Fisher to outperform is attractive. Alphabet completes our top-3 active positions, with the shares still reasonably valued. With leading positions in Search, Cloud and the investments into its AI platform, we believe Alphabet has a long runway for growth with attractive returns.

Performance:

In the month of January, the portfolio had both a strong absolute and relative performance versus the benchmark. Sector-wise, our positioning in Consumer Discretionary, Technology and Industrials helped performance most, while

Energy lagged during the month. On a stock level, Eli Lilly moved up on rising optimism around its Mounjaro and Zepbound GLP-1 products targeting obesity patients, a market where growth prospects keep on being adjusted upwards. Japanese industrial powerhouse Hitachi was another strong performer in January, posting good results and upped guidance across all its divisions, in particular its Energy business that continues to see solid order growth. Furthermore, the cyber security theme saw some renewed interest with the likes of Fortinet benefiting from overall better sentiment.

On the flipside, real estate services company CBRE Group dropped back along with other rate sensitive stocks as yields moved sideways on uncertainty around the depth and timing of rate cuts. Another weak performer during January was Cheniere Energy, given a mild winter and already high gas storage levels. This will likely not necessitate new large spot orders that the company benefited from last year.

Portfolio changes:

In January, we sold sports goods bellwether Nike as we think the name is too expensive after its guidance cut to no revenue growth. Even though we don't think the story is necessarily broken, we simply see better alternatives elsewhere such as in healthcare names AbbVie and Haleon. We also

sold out of chip maker Infineon, which given its industrial and automotive end-market exposure, in combination with recent profit warnings from peers, also seems at risk. Instead, we used proceeds to add to higher conviction names such as Broadcom, Meta Platforms and Check Point.

Management expectations:

Even though we saw glimpses of a market broadening late last year, the January rally failed to follow through on that. The winning basket for much of 2023 took charge of markets once again. At this point we don't any fundamental reasons why these winners will stop being winners. The narrow set of world class companies having deep moats, high quality earnings and plenty of growth levers up their sleeve are likely to stay. In terms of valuation one could argue such stocks are getting pricey, but there's a reason investors want to pay up for Quality: stability. The market is anxiously looking at China, again, and ramifications for that on the broader industrial and metals complex, as a potential trigger for a cyclical rebound. Interestingly, oil prices continued to trade rangebound, even against a risky geopolitical backdrop, reflecting demand concerns more so than supply issues. In addition, as long as other macro indicators keep flatlining, we see no reason to change our tac in terms of portfolio positioning.