Santander Asset Management

Marketing Communication

Santander GO Global Equity ESG

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Fund commentary

Market developments:

The market dislikes uncertainty, so when the tight US election race turned out to be a sweeping victory for former president Trump, equity indices rallied, making November the best month of the year (+7.5% in EUR; +4.6% in USD). Defying deteriorating lead indicators, still weak consumer sentiment and higher tariff news flows, we nonetheless saw animal spirits unleashed with a retail buying frenzy as inflows rushed into US equities. But after the initial fireworks, we couldn't help notice the reply from many corporates feeling stuck in the political cross-currents, pointing at a host of potential unintended consequences from a Trump Administration on steroids. With immigration policy, tariffs, deregulation and high octane geopolitics front and center, both investors and corporates seem torn on how to read the tea leaves. For now, the market playbook seems to be to increase exposure to US domestic "Trump winners" and a further broadening out to the small-midcap space.

Largest holdings:

Our top active position is Haleon Plc, a consumer health over-the-counter (OTC) company with a superior growth profile driven by its pure-play focus and premiumization efforts. After being spun out of GSK/Pfizer, Haleon has plenty of opportunity to further grow margins and use its cash flows for debt paydown and shareholder returns. Cheniere Energy, a pure-play US LNG exporter, is our second largest active position. Cheniere book of business is largely long-term fixed-fee based, resulting in strong and durable cash flows that allows the company to improve its capital structure by paying down debt and increasing shareholder returns. CBRE Group completes our top-3 active positions, and is an attractively valued provider of real estate services including property management, valuation, real estate investments and advisory services. CBRE is well-positioned to grow its services business that plays into the secular shift towards corporate outsourcing of activities such as facilities management.

Performance:

In November, the portfolio had a strong positive absolute return, slightly ahead of the world index. Sector-wise, ourpositioning in Financials and Real Estate helped performance most, while the sectors Communication Services and Healthcare lagged.

In terms of stock selection, Cheniere Energy performed best as the Trump victory will likely mean an end to the pause on further LNG export capacity that was initiated under the Biden Administration. At the same time, it also seems some of Cheniere's new capacity can be brought online sooner than expected, benefiting from rising gas prices as it can sell those volumes at spot.

Another strong performer in November has been Fortinet, a leading cyber security company, after its Analyst Day was well-received. The upcoming firewall refresh cycle, in combination with its broader platform across secure networking, SASE and SecOps will drive future share gains.

Finally, banks including Bank of America and JPMorgan enjoyed a good run in the aftermath of the US elections, as yields have been rising since and the potential for deregulation under a new Trump Administration should bode well for banks in general.

On the flipside, our underweight position Tesla hurt in November. The stock rallied given Elon Musk's intimate connection to Trump, likely leading to a very favorable competitive position of Tesla in the US, despite the cancellation of EV tax credits. It's also likely this opens the door for Tesla's full self driving capability, notably for its 'cybertaxi' offering, unlocking a new large market for the company. In the aftermath of Robert Kennedy Jr's (RFK) nomination to head the Dept of Health & Human Services, many US pharma stocks tripped. For AbbVie, specifically, a negative update on its Emra schizophrenia trial caused further weakness. It shouldn't change the outlook on AbbVie's key growth drivers Skyrizi and Rinvoq, but it sure hit stock sentiment negatively.

Finally, we saw weakness in European energy major TotalEnergies, which has traded relatively weak on softer oil prices and a muted demand outlook for next year. In addition, one of Total's strategic partners in India, Adani Green, was charged over bribery schemes in India, dimming the lights on future growth opportunities in the country.

Portfolio changes:

In November, we sold our position in German insurance company Allianz as we switched more weight from Europe into the US, but also we feel Allianz is running out of catalysts after a good run. Instead, we initiated a new position in Ameriprise Financial, a wealth management and financial planning firm. Growth in its asset management business, structural margin expansion opportunities in its advisory division and an overall strong capital return story have been key reasons to buy. After the US elections we have also closed our underweight position in Tesla. Although we dislike the cozy relationship between Elon Musk and Trump, we do believe deregulation on full self-driving cars could be a positive game changer for Tesla. Furthermore, during the month we also added slightly to our positions in Cheniere Energy, Union Pacific and AstraZeneca, while trimming Broadcom, Fortinet and Nvidia.

Management expectations:

Simply stated, more deregulation, less anti-trust and more deal-making activity in the markets will continue to give oxygen to the "America first" trade. Also, in contrast to some of his initial picks, more recent Trump cabinet appointees such as Scott Bessent heading Treasury have been viewed positive by the market as it brings a bout of normality and experience in the eyes of many. Europe, meanwhile, continues to operate in cloudy weather conditions, searching for the right path forward. And even though the valuation discrepancy versus the US is approaching all-time highs, catalysts to unlock that seems scarce. As we close in on year-end, seasonality is generally supportive for equities to move another leg higher, though we do not anticipate wild swings until year-end. Corporates are buying back stock in masses, so are retail investors, defying headline risks as we prepare for Trump 2.0. Thus, it seems as long as the water feels warm, investors are happy swimming.