Santander
Asset Management

# Santander GO Global Equity ESG

4 / 2022

## Fund commentary

Market developments

Markets continued to be very volatile again in April. As we have now entered results season, there have been quite mixed reactions to results with investors scrutinizing the ability of companies to withstand inflationary pressures and the ability to avoid issues due to continued supply chain issues related to shipments from China. We have continued to see Healthcare and other more defensive sectors such as Utilities and Staples continue to perform strongly, while other consumer related sectors such as Consumer Discretionary,  Communication Services and Technology stocks have been under severe pressure, with the Nasdaq recording one of its worst months ever with a decline of over 13%.

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 April, our strategy outperformed relative to the benchmark. Strong stock picking in Healthcare, Financials, Energy and Information Technology added most to performance, but was somewhat offset by weaker performance in Consumer Staples and Real Estate. 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 very good results from our holdings in the MCO space, where both Anthem and UnitedHealth reported very decent results. On the negative side, we were hit this month by negative contributions from Alphabet, which reported slightly disappointing YouTube advertisement growth numbers and Sony Corp contributed negatively, mostly due to the fact that the Japanese yen has come under significant pressure.

Portfolio Changes

During the month of April, we have sold some of our cyclical exposure, as we clearly see increasing risks of a global economic growth slowdown. We have taken profits in Fortescue Metals Group, after a strong rally in commodities year-to-date. We also sold Micron Technologies in order to move to an underweight position in the semiconductor segment within Information Technology. We have initiated a new position in GlaxoSmithKline (GSK), as we are anticipating the spin-off from their consumer healthcare division, called Haleon, that we are interested in structurally. GSK still sells at relatively low multiples and this gives us an opportunity to add a really high-quality consumer healthcare name in Haleon at very attractive multiples. In addition, we have used the proceeds from the disposals to add to more defensive positioning in names like RELX, Check Point Software, Visa and AstraZeneca. As a consequence, our portfolio beta is now slightly below one.

## Management expectations

We have become more cautious on our outlook for developed market equities as macro risks have clearly increased. Global economic growth it 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.