Santander Asset Management

Marketing Communication

Santander GO Global Equity ESG

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Fund commentary

Market developments:

Sometimes nothing happens in decades and sometimes decades happen in weeks. This wisdom certainly applied to the month of April, which started off in a state of shock with "Liberation Day" tariff announcements initially whipsawing global equity markets, though recouping losses towards the back-end (-4.1% in EUR; +0.9% in USD). Clouds of uncertainty and concern about the chaotic reciprocal tariff backdrop left investors feeling anything but liberated. However, after a severe market rout it appeared the bond market rather than equities marked a pain threshold and made the Trump Administration blink, changing its tone slightly, thereby keeping the "Trump put" concept alive. As a result, equity markets started to recover slowly as the US capital flight stopped to some extent. Major European indices held their ground on prospects of better growth from increased fiscal spending and more leeway on the monetary front. On the potential for getting a quick "deal" done, Japan also outperformed, despite a stronger yen. Even though the Trump Administration is now past its first 100 days in office, the noise dynamics are likely to continue, hence we stay on alert.

Largest holdings:

Our top active position is RELX, a defensive information and data analytics company that owns a huge portfolio of high-quality medical, legal and scientific journals. We also believe that RELX can be an important beneficiary of AI as the demand for accurate and trustworthy data only increases, a key tenet of RELX's business that seems underestimated by the market. AutoZone, a large US car parts retailer, is our second-largest active position. The company benefits from an increase in miles driven and an aging car park, with consumers holding on to their existing cars for longer. Runway for further growth comes from its international expansion, its move into the Pro segment as well as more online sales. US reinsurance company Marsh & McLennan rounds off our top-3 active positions, also providing brokerage, consulting, human capital management and risk management services. Marsh is likely to benefit from continued high inflation and (re)pricing conditions.

Performance:

In April, the portfolio had a slight negative absolute return, also lagging the benchmark. Sector wise, our cautious positioning in Industrials and Energy helped performance most. However, a traditional safe haven such as Healthcare struggled most as tariff overhangs hurt the space. Financials also underperformed as recession fears trumped otherwise strong earnings results.

In terms of stock selection, Siemens Energy contributed most to performance as the company pre-announced results very favorably, materially lifting its growth, margin and cash flow prospects. The company is a Swiss army knife as it comes to the energy transition, offering various solutions within gas, renewables and grid networks.

Insulated from any tariff shocks, also journal and risk analytics powerhouse RELX continues to act as a 'sleep-well-at-night' stock. Tangible benefits from its LexisAI and Protégé products in the Legal division, should help spur growth in the coming years. RELX still trades at a discount to its US peers, meaning there's further rerating potential.

On the flipside, a rare profit warning and guided down by managed care provider UnitedHealth spooked investors, sinking its stock price by around 30% since results. The company blamed higher managed care activity in physician and outpatient services, but also a deteriorating

Optum Health member profile as the main culprits to poor results. As investors expected a relatively quiet quarter in a non-tariff prone story, this kitchen sink was clearly not expected. We do believe management can restore confidence, but this obviously takes time.

Another poor performer in Healthcare proved to be tool maker Thermo Fisher, caught in the policy cross-currents around its academic and government-related end-markets, but also the potential demand fallout on the back of tariffs. These concerns triggered the company to lower its revenue and margin guidance for the remainder of the year.

Finally, insurance broker Marsh McLennan detracted following weaker-than-expected results, flagging slower revenue growth across all of its segments. Lack of visibility into near-term macro, creating confusion and hesitance on the client side, were causes for this weaker print.

Portfolio changes:

In April, we sold our remaining position in Costco Wholesale, on valuation grounds, shifting to Procter & Gamble (P&G) instead. P&G is one of the highest quality US consumer staples companies, with strong pricing power across its assortments in beauty, grooming, healthcare, baby and family care. We also started a new position in Arista Networks, a provider of Cloud networking solutions for data centers and computer environments. Arista's share price has dropped dramatically year-to-date, hence provides an attractive entry point for a long-term sound and high quality story. Another new addition to the portfolio has been US streaming on demand giant Netflix. After several years of streaming competition, Netflix has come out as a winner and we see its ability the reinvest into a growing quality catalogue of titles and superior subscriber acquisition as a key advantage. We trimmed Booking Holdings and Amazon to fund the

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purchase. Lastly, we added weight to Microsoft and Salesforce as to increase our software exposure within Technology, while reducing positions in Ameriprise Financial and CBRE Group.

Management expectations:

The reciprocal tariff policy as a type of economic warfare is clearly damaging, not only for business confidence but also to the US consumer, making a "stagflation" scenario almost unavoidable. Moreover, President Trump's frustration with the Fed is also unlikely to dissipate soon with Chairman Jerome Powell already being scapegoated for the trade policy chaos. This raises the question mark whether the Fed can actually continue to operate truly as an independent entity, adding yet another layer of uncertainty for investors. Consequently, assets such as gold and Bitcoin were the main stores of values, while commodities turned down as worries about falling demand has become the dominant narrative. Today's headlines can be outdated very quickly, however, with answers to many questions changing daily. So rather than playing a nervous game of Pac-Man, we've used a more surgical approach to tilt the portfolio more defensively. Amidst a busy stretch of earnings season, we are particularly interested as to what companies have to say regarding their spending plans and how tariff exposures are being quantified. As long as markets keep flirting uncomfortably close to ugly economic scenarios, we continue to err on the side of caution.