

# Santander GO Global Equity ESG

12 / 2021

## Fund commentary

### Market developments

Global Equity Markets again were very strong in December. With the news that the Omicron variant will become more dominant around the Globe, there is also less concern in the markets that the impact of the virus will be severe. Most market participants seem convinced that 2022 will bring a recovery from a Covid-perspective as well. The market also continues to be fueled by strong earnings reports and strong earnings expectations going into 2022. The market still looks for quite healthy earnings support, even in an environment where we are likely to see tapering of Central Banks balance sheets and the first rate hikes by the Fed to normalize interest rates in the US.

### Largest holdings

The top holdings in the portfolio are still roughly the same, with our largest active position being Bank of America, which will likely benefit from interest rates moving higher now the Federal Reserve has signaled it will start tapering in the near-term. Our second largest active weight is AstraZeneca, which has one of the strongest product pipelines in Pharmaceuticals, while at the same time having low risk to patent expires. Alphabet completes our top-3 active positions, which remains one of our preferred plays on the growing market of digital advertising.

### Performance

Our strategy posted strong absolute returns and also had strong relative performance versus to the benchmark in December. For 2021, the portfolio finished with decent outperformance versus the MSCI World that serves as its benchmark. During the month of December, strong stock selection in Healthcare, Industrials, Consumer Discretionary and Information Technology contributed most to performance, while we had a slight deduction from Financials and Consumer Staples. The main positive contributor to performance was CBRE Group, which saw a strong rebound from a weak November month, as the hope of re-opening continues to help the name. We also saw very good reactions to strong earnings reports from UnitedHealth and from Accenture, which both reported excellent results. Anthem also performed strongly on the back of the UnitedHealth results. We had a slight deduction to performance from our holding in Bank of America, which gave back some of its recent gains, as the yield curve continues to flatten. We also gave up some performance in Adobe Software, which reported weak results relative to high expectations and gave cautious guidance for next year.

### Portfolio Changes

During the month of December, we have added Capital One to the portfolio, as we feel that rising short rates will help the Financials. We like Capital One as it is a play on the health of the US consumer and still trades at very attractive valuations. In order to fund the purchase of Capital One, we took some profits in Eli Lilly, which has been one of our strongest performers for the year, as well as in Thermo Fischer. We really like Thermo Fischer structurally, but we do feel that the valuation multiples are stretched here. Lastly, we have added to our position in Micron, that also reported excellent results and gave upbeat guidance for 2022. We continue to see a shortage in memory semiconductors and good pricing power for the name as a consequence.

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## Management expectations

We maintain a long-term positive outlook for developed market equities. We do think that macro risks are increasing, as the US Federal Reserve (Fed) has indicated it wants to start tapering rather sooner than later, i.e., reduce the pace of its balance sheet expansion. The first rate hikes have been signaled for the second half of 2022. Meanwhile, global earnings revisions are likely peaking out, after a very strong post-pandemic rebound. In our view, the risk of a near-term correction has risen due to ongoing inflation concerns, China's unprecedented regulatory crackdown, the tapering announcement, and 'tax and spend' prospects in the US. However, valuations do not strike us as excessive. We also think that technical analysis is still supportive, and that sentiment is not overly bullish.

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