

Santander AM Euro Equity

1 / 2023

Fund commentary

Stock markets had a strong start to the year, as equities had the second-best January in more than three decades. Key drivers of the global rally were disinflation on gas prices, Fed pause hopes and China re-opening gaining further stream and benefiting European stocks. In addition, the relatively mild winter has defused the energy crisis in Europe and reduced the risk of a deep winter recession. At the end of January, gas storage in the European Union was around at 75% level, compared to around 35% at the same time last year.

In this sense, the Stoxx Europe 600 index started the year with a solid return of 6.7% (net total return) while the EuroStoxx 50 did its share with a striking 9.9% rise (net total return) and MSCI Euro 9.6%.

Regarding sectors, 2022 losers rebounded strongly, as Cyclical delivered better returns than Defensives. With this Retail (17.5%), Consumer Products & Services (15.3%), Travel & Leisure (14.8%) and Technology (14.8%) were outperformers, while Healthcare (0.2%), Energy (0.8%) and Food & Beverages (0.9%) lied at the bottom of the table.

During the month of January Santander Euro Equity had a strong positive absolute return but underperformed its benchmark MSCI EMU Net Total Return.

Sector allocation was negative being long Energy and short Technology and Real Estate. Positive contribution being short Consumer Staples and long Banks.

On the stock selection side, main contributors included overweight positions in Deutsche Post, Teleperformance, Saint Gobain, Vinci, Bayer, Inditex, Publicis and Unicredit. Main detractors were long UPM and Linde and short Basf, Covestro, Schneider, Airlines and Flutter Entertainment.

During the month of January, we sold Iberdrola and UPM and bought Enel, start a new position in Wacker Chemie and reduced Linde.

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