

# Santander GO Global Equity ESG

7 / 2023

## Fund commentary

Market developments:

Global equity markets continued to perform well in July, after a strong run so far year-to-date. The good news for equity markets is that inflation continues to cool off, as was shown by the core inflation in the US which has slowed to a 3% year-on-year increase. This has led the market to speculate that the latest Fed increase of the short rates could potentially also be the last one, or that maybe there will only be one more increase in September. The US Fed now has the advantage that there is quite a long period in which they can just look at the economic data, before deciding on another rate increase during the September meeting. As a consequence, long rates in the US have come off a bit, which has supported the continued rally in long duration stocks. The market also seems to anticipate that we are moving to a soft landing for the US economy, even though activity indicators, such as the PMI still point towards tougher times.

Largest holdings:

We have made some adjustments to the top-10 positions, as we have taken some further profits in Eli Lilly. Alphabet is now the largest active position in the portfolio, as the shares are still very reasonably valued. The company also reported particularly good results, as the company has returned to positive growth again. The same goes for our position in RELX, which has increased to the second largest active position, due to strong results. We do not share the concerns of the market about the impact of Artificial Intelligence. In fact, we do believe that the company can be an important beneficiary of AI. Visa is now our third largest active position, as we do not think that there will be significant impact from the renewed discussion on interchange fees. We still like the name as it also benefits quite significantly from the rebound in cross-border transactions. AstraZeneca has dropped to the fourth largest active position as there has been a slight negative reaction to new data around one of their import phase-3 cancer drug trials.

Performance:

The portfolio had a neutral performance in July. After an exceedingly difficult start of the month, we were able to recoup most losses relative to the benchmark. The standout during the month were the names in the Communication Services sector. Both Alphabet and Meta reported good results, with accelerating growth and good capital spending and

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operating expense controls leading to significant margin leverage. We also had good contributions from our holdings in banks, as both Bank of America and Sumitomo Mitsui contributed positively to performance. We had been awaiting the Bank of Japan's decision to move away from the strict yield curve control framework for some time, and did see the BoJ relax the framework somewhat, which should be supportive for Japanese banks. On the other side, we saw weaker contributions from our holdings in healthcare, such as Eli Lilly and AstraZeneca.

#### Portfolio changes:

During the month of July, we have taken some further profits in some of the high-flyers in the portfolio, where we think that valuations are now stretched. We did take some weight of favorite names like Eli Lilly, AMD and Nvidia, and have redistributed the weight across some of the holdings that have more favorable valuation characteristics, such as Deere, Signify, CB Richard Ellis and Cheniere Energy.

#### Management expectations:

We have a relatively neutral outlook for Developed Equity markets for the remainder of the year. A lot will depend on whether the US Economy indeed will have a soft landing, and therefore the overall earnings picture is relatively modest. We are also eagerly looking for the next couple of inflation readings, as these are likely to determine the next Fed decision on rates during the September meeting. We think that it is likely that the US Fed is done raising rates, and now have to see what the impact on the US economy is going to be. The same holds for Europe, where we think that the ECB is also almost done raising rates, even though European inflation numbers continue to be higher than in the US. As a consequence, we think that the market will be in a wide trading range, until we have clarity on the inflation and on the rates front. We think that upside for the market as a whole is relatively limited, as we continue to see increasing earnings pressure in most sectors and valuation already seems stretched for the US market in particular.

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