Santander Asset Management

Marketing Communication

Santander GO Global Equity ESG

1 / 2025

Fund commentary

Market developments:

Chinese AI disruption and Washington headlines dominated global equity markets in January, pushing headline indices higher (+3.1% in EUR, +3.5% in USD). As investors digested the flurry of executive orders immediately signed by President Trump, the announcement of a USD$500 billion AI investment project (dubbed “Stargate”) created the next splurge of market excitement. A few days later, however, seemingly out of left field, a Chinese AI startup (“DeepSeek”) resulted in a swift and significant repricing of all things AI-related. Its supposedly much cheaper and better ‘R1’ reasoning model made waves across the AI complex, sparking fears if expectations for all that capital spend and power needs are not too high. The immediate bullish pushback was “Jevons paradox”, i.e. that technological progress and cost efficiencies actually lead to increased product demand over time. The jury is still out on the exact ramifications of DeepSeek, but it did unveil a few uncomfortable truths about crowded and closely correlated themes. As a result, market breadth widened, value outperformed and European equities printed the best month in two years, even outshining the mighty US.

Largest holdings:

Our top active position is Deutsche Telekom, a well-run German telecom operator with stable cash flows domestically and enjoying growth potential in the US through its holding in T-Mobile USA. As T-Mobile continues to gain market share and is past peak capex, the cash return story towards Deutsche Telekom is very attractive. Cheniere Energy is our second-largest active position, a pure-play US LNG exporter. Cheniere’s book of business is largely long-term fixed fee based, resulting in strong and durable cash flows that allows the company to improve its capital structure by paying down debt and increasing shareholder returns. Thermo Fisher completes our top-3 active positions, a US life sciences toolmaker with arguably the best operating track record in the healthcare tool space. We believe the medical tool sector is past the worst and sees most of its end-markets improving from here.

Performance:

In January, the portfolio had a strong positive absolute return, also slightly beating the benchmark. Sector-wise, our positioning in Communication Service and Real Estate helped performance most, while Technology lagged. In terms of stock selection, cyber security play Check Point Software contributed best, flagging strong billings growth and good demand uptake across its suite beyond its traditional firewall products. This bodes well for further revenue growth, although margin expansion will remain muted as the company continues to invest in its salesforce, new product launches and tuck in acquisitions. Thermo Fisher also had strong results, beating expectations and signaling continued end market recovery as the year progresses. Higher incremental margins on the back of its cost cutting exercise was the key driver of the better margin performance. Furthermore, strong growth in areas such as electron microscopy, chromatography and mass spectrometry helped overall topline. Furthermore, impressive results from T-Mobile USA also lifted Deutsche Telekom shares higher given its majority stake in the company. Better service revenues, growth in postpaid net adds and strong FCF generation all helped results beat expectations. On the flipside, we saw performance detraction from our underweight in Meta Platforms, which actually experienced a strong month on the back of continued optimism on its AI monetization potential, but also the saga around TikTok's faith in the US. Also, online travel operator Booking Holdings had a weak month. After a strong run last year, quite some optimism seems priced in at this stage with tougher comparisons ahead and currency effects becoming a headwind. Chinese AI venture "DeepSeek" sent shockwaves across the AI universe on the promise that a lower-cost AI ecosystem means less investment spend by software companies and hyperscalers is needed, hurting Dell Technologies in the process. Even though AI training models might indeed become much cheaper, it's likely this will be offset by more demand for application, or inference, products. The jury is still out if and how the basket of AI 'winners' will change but accept some more hardware-oriented players will face some overhang for now.

Portfolio changes:

In January, we took some profits in Costco, CBRE and Booking Holdings and re-allocated towards holdings where we currently see more upside such as Thermo Fisher and Cheniere Energy. We also shaved off some weight from the likes of Apple and Dell in order to add to our position in Oracle. Finally, we took weight out of Tesla in favor of our position in Accenture.

Management expectations:

The path to alpha is rarely smooth and with market moving headlines being fired one after another, it's difficult to assess exact ramifications and filter out the noise. For example, only time will tell if DeepSeek's "shock and awe" was a smoke signal or false flag, or whether the torrent of executive orders is really enforceable or meet a wall of legislative difficulties. It does seem all this volatility and flip-flopping in congested themes sparks renewed interest in both defensive exposures but also in old economy sectors that have been somewhat forgotten the past year. From a regional point of view, we also expect investors to re-do their homework on European equities, which have been in an ugly place for a while. At least markets are not pricing in much improvement for Europe, meaning there is risk to the upside in case we see data points inflecting positively. In the US, we anticipate legal battles to arise over presidential powers and the need for congressional authorizations on the many executive orders that have been signed so far. At least the start to 2025 has been nothing short of spectacular, which we aim to benefit from with our flexible, quality focused investment style.