Santander Asset Management

Marketing Communication

# Santander GO Global Equity ESG

2 / 2025

## Fund commentary

Market developments:

The first five weeks of Trump 2.0 has not gone by unnoticed, to put it mildly, unequivocally staking new ground and shaking global equity markets (-0.8% in EUR; -0.7% in USD). The back-and-forth on tariffs, the role of Elon Musk in the Trump Administration and subsequent gutting of the Federal Government, and rising AI fatigue have brought cracks to the "US exceptionalism" trade. In fact, concerns around the US overheating have started to creep in with its economy still running hot and inflation far from gone. Potentially this can even lead to higher rates, despite this being something President Trump would not "allow". On the flipside, we see Europe finally back on the radar again after a long period in the doldrums, outperforming most other indices since the start of the year. It has brought fund flows back to the 'old continent', potentially reviving 'old economy' value sectors such as materials and energy as well. Staring down the barrel of tariffs, no growth and little geopolitical power, the realization of an existential threat seems to bring about a coalition for drastic change.

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. Visa is our second-largest active position as we believe it continues to benefit from the secular shift away from cash as well as from the rebound in cross-border transactions. We also still like Visa as we do not think that there will be significant impact from the renewed discussion on interchange fees. Cheniere Energy completes our top-3 active positions, 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.

Performance:

In February, the portfolio had a negative absolute return, also lagging the benchmark. Sectorwise, our positioning in Consumer Discretionary and Healthcare helped performance most, while Industrials and Financials lagged.

In terms of stock selection, AbbVie contributed best to performance. The immunology pharma segment posted healthy results, in particular sales numbers of AbbVie's drugs Skyrizi (psoriasis) and Rinvoq (arthritis) continued to trend ahead of expectations, sending the stock higher. AbbVie also flagged that physicians are increasingly switching away from the legacy Humira product to newer agents, benefitting both Skyrizi and Rinvoq.

Deutsche Telekom also had positive contribution. Even though fixed-line telecom trends in Germany disappointed, the story of Deutsche Telekom is still very much driven by its majority stake in T-Mobile USA, which continues to show healthy service revenues, growth in postpaid net adds and strong FCF generation now that Sprint is fully integrated into the business.

Finally, stronger-than-expected results followed by a series of broker upgrades moved AstraZeneca's stock price higher. Its rich late-stage pipeline has the potential to add meaningfully to sales growth for the coming years. 2025 is also a catalyst-rich year with data coming out on seven high-value new drugs in addition to multiple line existing product extensions.

On the flipside, somewhat disappointing earnings results followed by an uneventful Investor Day, hurt PayPal shares during the month of February. Main culprit was the muted performance of its Branded business, not showing an acceleration in growth what the market hoped for. Its new CEO wants to simplify the business and show more rigor towards initiatives that should accelerate profit growth over time, which is clearly not a straight line exercise.

Furthermore, even though Thermo Fisher itself posted decent results, potential spending cuts in the NIH, the US agency for biomedical and health research, dampened sentiment on the entire medical tools group. The recent executive order from the Trump Administration around reviewing existing grants creates an overhang for the sector, regardless whether the actual impact is limited for the likes of Thermo Fisher.

Finally, solid growth in Alphabet's Ad spending in both Search and YouTube could not offset investor disappointment with the slowdown in Cloud momentum. In addition, much higher capex spend and less margin expansion potential sent shares lower. However, the issue lies more in the fact that Alphabet is capacity constraint to meet rising demand, in theory a good problem to have, but apparently not perceived so by the market.

Portfolio changes:

In February, we started a new position in Steel Dynamics, a US domestic steel manufacturer that uses 100% electric arc furnace (EAF) and steel scrap for steel production, making it one of the most sustainable steel companies globally. It trades at a very attractive valuation, especially given strong FCF inflection after peak capex of the last few years. We sold Fortescue Metals as we think Steel Dynamics is better positioned within the steel complex. We also added Siemens

Energy to the portfolio, after it corrected sharply following “DeepSeek” concerns, hurting the entire AI infra supply chain. We think Siemens Energy, through its dominant market positions in grid connection and gas turbines, is very well positioned across the energy supply chain. We sold First Solar to fund this as the Trump Administration clearly does not favor renewable energy, making life tough on the likes of First Solar, which continues to tread water. Another addition to the portfolio is Analog Devices, which is a high quality defensive analogue semi name, flagging an improving business outlook after a period of weakness. We funded the purchase by selling out of Cadence Design, where valuation is too high given the slowdown in fundamentals.

Management expectations:

As of late markets have started to question the narrative of US exceptionalism, in particular the path forward to further monetize all this. Tougher trade and geopolitical language from the Oval Office has put a dampener on ever more risk appetite, at least for now. It’s of course possible there is a so-called “Trump Put” at play, meaning that if markets drop in response to policy moves made by President Trump, he will retract on it, as what we’ve seen with many tariff threats so far. Still, the collateral damage that comes with it, brings a type of overhang for stocks that investors tend to dislike. Whether we’ve indeed seen the US as a share of world market cap peaking remains to be seen, but the market rotations so far seem to be firming up. The move away from a relatively stable global world order to a “you’re on your own” world order brings about shifts in investor risk appetite. Such elevated macro uncertainty requires a portfolio approach that inhibits a built-in flexibility to navigate different backdrops and regime shifts, akin to what our investment strategy is designed for in our search for alpha.