Santander Asset Management

Marketing Communication

Santander GO Global Equity

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Fund commentary

Market developments:

After several U-turns, investors seemingly took President Trump's "beautiful tariff" agenda with a grain of salt, with global equity markets rallying back to levels prevailing in the lead-up to Liberation Day (+6.1% in EUR; +5.9% in USD). Temporary US-China tariff relief eased recession fears, at least in the near term. Moreover, the announcement of the "One Big Beautiful Bill", effectively extending the US tax cuts implemented in 2017, drove cyclicals and higher beta names upwards. As the market shifted focus back to this bullish part of the Trump agenda, also Europe, Japan and emerging markets performed well. For Europe, in particular, a number of policy shifts have improved its outlook such as a more supportive German fiscal regime but also renewed momentum in Europe's reform agenda. The caveat, though, is that we do need to see these promises to start showing up in the hard data, something the market is pricing in already. Globally, support from front-loading of activity will start to fade and with market valuations again at lofty levels, there is scope for disappointment ahead.

Largest holdings:

Our top active position is Haleon, a consumer health OTC company with a superior growth profile driven by its pure-play focus and premiumization efforts. After coming out of GSK/Pfizer, Haleon has plenty of opportunity to further grow margins and use its cash flows for debt paydown and shareholder returns. RELX is our second-largest active weight, a defensive information and data analytics company that owns a huge portfolio of high-quality medical, legal and scientific journals. We also believe that RELX can be an important beneficiary of AI as the demand for accurate and trustworthy data only increases, a key tenet of RELX's business that seems underestimated by the market. US reinsurance company Marsh & McLennan rounds off our top 3 active positions, also providing brokerage, consulting, human capital management and risk management services. Marsh is likely to benefit from continued high inflation and (re)pricing conditions.

Performance:

In May, the portfolio had a strong absolute return, yet could not fully keep up with the benchmark. Sector-wise, our positioning in Consumer Staples and Financials helped performance most. However, the sectors Healthcare and Consumer Discretionary struggled most.

In terms of stock selection, Siemens Energy again contributed most to performance as the company announced very robust results, supported by a strong order book that materially lifts its growth, margin and cash flow prospects. The company is a Swiss army knife as it comes to the energy transition, offering various solutions within gas, renewables and grid networks.

Taiwan Semiconductor (TSMC) also performed well, spurred by the fact that the AI theme is still very much alive and kicking, confirmed by the rosy spending and outlook commentaries of the large hyperscalers. Given better matching of supply and demand, the potential for AI order cuts now seem less likely overall.

On the flipside, the Healthcare sector remained in the penalty box, with our holdings Eli Lilly, UnitedHealth and AbbVie all underperforming. With regard to Eli Lilly, news broke out retail pharmacy operator CVS picked rival Novo Nordisk as its preferred anti-obesity drug supplier, thereby excluding Lilly's Zepbound from the list. Although this is a normal part of the annual interplay between the US PBM's and drug companies, the market reaction was quite fierce. However, we don't see this as really worrisome to Eli Lilly and in fact see the company still raising guidance for the remainder of 2025.

After its profit warning in April, more negative developments with UnitedHealth, including a DoJ investigation, continued to push down the stock even more. Even though such a court process is quite common in the US and could span years, it does provide another overhang, leaving many investors throwing in the towel.

Lastly, AutoZone's results underwhelmed investors, seeing margin expansion stalling as the company continues to invest in new growth opportunities. Indeed, the rollout of its mega hubs, ongoing fleet expansion and international growth comes at a cost, but are mostly transitory, improving its positioning and market share over time.

Portfolio changes:

In May, we sold our remaining position in UnitedHealth as we think there are currently too many overhangs for the stock to stage a sustainable rebound. Multiple large disappointments in such a short time span, means it quickly lost its Quality status too. Hence, our conviction level also dropped accordingly and prefer defensive alternatives elsewhere such as Haleon and Unilever. In addition, we lowered our overall weight in Healthcare by also trimming AbbVie, Thermo Fisher and Waters, while adding to the likes of Nvidia, Microsoft and Siemens Energy.

Management expectations:

With many twists and turns in the tariff saga so far, global economies are net-net still worse off, yet equity markets have moved higher. Meanwhile, higher bond yields on rising US budget deficit concerns makes us cautious about assuming the recent rally has a lot more legs. Once the complexities of all the trade negotiations come to the fore, we continue to expect weaker global growth ahead. A policy induced supply shock could lead to a kind of inflation the

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Federal Reserve is less equipped to deal with. However, at some point it needs to act anyway as doing nothing might bring even more damage to its credibility. After the recent rebound, market valuations leave little room for complacency, particularly in the context of anticipated earnings cuts. In order to see a genuine sustainable recovery, we need to see further trade de-escalation taking a firmer hold. The anticipated playbook by investors is that President Trump threatens big, then negotiates hard, but ultimately lowers tariffs. Given his very erratic behavior so far, this is a view we don't yet subscribe too with high conviction. Therefore, we continue to favor high-quality stocks best able to withstand macro shock-and-awe.