

CARMIGNAC P. FLEXIBLE BOND: LETTER FROM THE FUND MANAGERS

10/04/2025 | GUILLAUME RIGEADE, ELIEZER BEN ZIMRA

+2.89%

Carmignac P. Flexible Bond's performance in the 1st quarter of 2025 for the A EUR Share class.

+3.64%

Relative performance of the Fund for A EUR shareclass versus ICE BofA ML Euro Broad index (EUR) in the 1st quarter of 2025.

+5.04%

Relative annualized performance of the Fund for A EUR shareclass versus ICE BofA ML Euro Broad index (EUR) over 3 years period.

*In the first quarter of 2025, **Carmignac Portfolio Flexible Bond** posted a net performance of +2.89% for the A shareclass, while its benchmark¹ was down -0.75%.*

THE BOND MARKETS TODAY

In the same way as at the end of 2024, volatility was still a major issue on the fixed income markets at the start of the year. However, the trend has been reversed in the dynamics of the different regions, with an upward revision of the growth outlook for the euro zone, while the supremacy of the US zone has gradually been called into question overall. The common denominator in these divergent trajectories was undeniably linked to the Trump administration's assumption of power at the head of the world's leading power. The latter has indeed stifled investors' excessive optimism with the possibility of widespread tariffs, but also with a more isolationist outlook on interactions with former Western allies. In addition to raising fears of a reduction in the purchasing power of American consumers and a rise in inflation in the US in the future, this change of course in US policy has also had the effect of creating a need for greater independence on the part of other NATO member countries in order to ensure their defense needs in a more independent manner. The announcement of a massive investment plan in Germany and the abandonment of measures to curb indebtedness followed by other defense plans by its European neighbors (France, Spain, Sweden, etc.) boosted the growth prospects of the zone and consequently the level of long-term rates. The latter therefore tightened by +37 bp on the old continent (German 10-year rate) in contrast to their US counterparts, which fell by -36 bp during the quarter due to increased fears over the ability of the American consumer to absorb the future impact of more restrictive customs barriers. The central banks did not spring any major surprises during the observation period, with two cuts for the European Central Bank and a continuation of the pause in the Federal Reserve's rate cut cycle. On the other hand, the two institutions revised their inflation outlooks at the end of 2025 upwards to +2.3% for the euro zone and +2.7% for the United States respectively. Finally, credit assets suffered from the return of volatility at the end of the quarter with a widening of credit spreads of +39bp over the period on the Itraxx Xover index.

ASSET ALLOCATION

At the start of the year, our strategy fully benefited from its flexible management mandate to deliver a positive performance despite an unfavorable configuration in the bond markets. Indeed, the fund delivered a performance of +2.89% over the quarter (share class A EUR Acc) against -0.75% for its benchmark indicator, with the best contributor to this outperformance being the interest rate hedging strategies. Our strong preference for US rates at the beginning of the year over their European counterparts was an important factor contributing to performance, particularly at the time of the announcement of the German investment plan, which generated an upward surge in rates on the old continent. On the contrary, US rates benefited from the gradual deterioration of leading indicators, which increasingly incorporate concerns related to the potential evolution of customs barriers. On the other hand, we also benefited from the positive contribution of our inflation-indexed instruments, which appreciated with the upward revision of future inflation prospects among central bankers but also in leading indicators. We adopted a dynamic management of modified duration during this first quarter, fluctuating between 0.4 and 3.3 through optional strategies. We closed the quarter at the upper end of this range at 3.3 following the increased sensitivity to European rates at the end of the period. We also gradually reduced our exposure to risky assets in March by reducing our weighting in high-yield credit and subordinated financial bonds, and by strengthening our credit hedges.

OUTLOOK

The current environment presents many uncertainties arising from the decisions of the Trump administration, which could result in more volatility in risky assets. This is all the more worrying as the valuation levels on carry assets are moving in a high range, leaving little prospect of appreciation in the future. The change in policy across the Atlantic is also a catalyst for inflation through a strong stimulation of consumption in the short term and the prospect of less fluidity in trade in the longer term. Finally, the imbalance between supply and demand is expected to widen even more sharply in the future, with the isolationist policies and defense or infrastructure plans of various states creating a negative environment for long-term rates. We are therefore maintaining a cautious position in terms of modified duration by favoring inflation-indexed assets that have the potential to appreciate in view of their valuation and geopolitical outlook. Finally, we favor defensive assets and hedging strategies in an environment where the level of remuneration is now less accommodating on risky assets.

Source: Carmignac as at 31/03/2025. A EUR Acc shareclass, code ISIN: LU0336084032.

¹ICE BofA Euro Broad Market Index (coupons reinvested). On 30/09/2019 the composition of the reference indicator changed: the ICE BofA ML Euro Broad Market Index coupons reinvested replaces the EONCAPL7. Performances are presented using the chaining method. On 10/03/2021 the Fund's name was changed from Carmignac Portfolio Unconstrained Euro Fixed Income to Carmignac Portfolio Flexible Bond.

Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Performances are net of fees (excluding applicable entrance fee acquired to the distributor).

PERFORMANCE (ISIN: LU0336084032)

Calendar Year Performance (as %)	2016	2017	2018	2019	2020
Carmignac Portfolio Flexible Bond	+0.1 %	+1.7 %	-3.4 %	+5.0 %	+9.2 %
Indicateur de référence	-0.3 %	-0.4 %	-0.4 %	-2.5 %	+4.0 %

Calendar Year Performance (as %)	2021	2022	2023	2024	2025
Carmignac Portfolio Flexible Bond	+0.0 %	-8.0 %	+4.7 %	+5.4 %	+2.9 %
Indicateur de référence	-2.8 %	-16.9 %	+6.8 %	+2.6 %	-0.8 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Flexible Bond	+3.5 %	+3.8 %	+1.2 %
Indicateur de référence	+1.5 %	+1.6 %	+1.3 %

Source: Carmignac at Mar 31, 2025.

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