

3 QUESTIONS TO JOSEPH MOUAWAD ON EMERGING MARKET DEBT

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In a prolonged period of very low or even negative interest rates in developed markets, emerging market debt can play a key role in investors' fixed income allocation.

Discover the views of Joseph Mouawad, Fund Manager at Carmignac:

1. WHY INVEST NOW IN EMERGING MARKET DEBT?

I would highlight three main reasons for investing in emerging market debt today:

The first one is to escape the financial repression: developed markets offer low and most negative yields adjusted for inflation since the second world war, while the emerging world is the only place that still offers positive yields even in real terms.

The second reason is because the market timing is right: our central scenario for emerging markets is a constructive growth prospect with the continuation of the post-pandemic recovery and expansionary policy. This constructive growth narrative should not be impacted by the gradual Federal Reserve normalization. Furthermore, emerging markets tend to benefit from an inflationary environment as these countries are rich in commodities and manufactured goods which act as an inflation hedge.

And last but not least, the large investment universe and liquidity offered by emerging markets is a real bulk of opportunities. As an example, emerging market debt represents more than 30% of the global bond universe, with China being the second biggest bond market¹.

2. WHAT IS YOUR VIEW ON THE CURRENT ENVIRONMENT?

The global recovery from the reopening of economies has resulted in a faster rebound in demand than in supply in many sectors creating several bottlenecks. These bottlenecks are expected to ease gradually, but inflationary pressures will persist to varying degrees in different regions, as demand remains extremely strong across the various regions. And the recent sell-off on rates largely reflects central banks turning more cautious with respect to elevated inflation levels globally. As an example, in this context, we have a cautious positioning on core rates via short positions on the short end of the US curve and we favor emerging local debt which is attractive in terms of fundamentals. Indeed, positive real yields are rare in the developed world where most interest rates are well below the inflation rates they are witnessing.

3. WHAT IS YOUR APPROACH TO EMERGING MARKET DEBT?

Our approach in our Carmignac Portfolio EM debt fund is quite unique, thanks to three main differentiating characteristics: First of all, we implement **a highly flexible investment process**. The fund's value proposition is its flexibility to operate within a large investment universe while benefitting from a wide range of risk management tools, allowing it to build attractive risk-adjusted portfolios at any point in the cycle.

Also, **the strategy we deploy has a solid track record**, as it was initially run in our multi-asset emerging Fund Carmignac Portfolio Emerging Patrimoine since September 2015. This approach proved its capabilities by demonstrating attractive absolute and relative performance.

In recognition of the Fund's investment approach, Carmignac Portfolio EM Debt is rated 5 stars by Morningstar while I am rated AAA by Citywire².

Finally, **Carmignac Portfolio EM Debt has a sustainable objective**: the Fund follows a socially responsible investment approach and aims to invest in countries that are making progress in some or all of the three Environment (E), Social (S) and Governance (G) dimensions. The Fund is also classified Article 9 according to the SFDR³.

This approach proved its capabilities by demonstrating attractive absolute and relative performance

- **Joseph Mouawad**

CARMIGNAC PORTFOLIO EM DEBT IN A NUTSHELL

Carmignac Portfolio EM Debt is an emerging market fund aiming to capture bond and currency opportunities with a sustainable approach in all market conditions. The Fund's mission is to outperform emerging fixed income markets (represented by the reference indicator⁴ while having a positive impact on society and the environment. The strategy implements a total return approach striving to deliver sustainable positive returns with an attractive Sharpe ratio whatever the market environment over the investment horizon of 3 years.

The proof of the Fund's ability to fulfil its mandate is in the numbers:

45.3%

3-year cumulated performance⁵

1st percentile

of its Morningstar category⁵ for its performance over 3 years

1st percentile

of its Morningstar category⁵ for its Sharpe ratio over 3 years

Joseph Mouawad

Joseph Mouawad is a Fund Manager in the International Bonds team. Joseph entered Carmignac in 2015 as an analyst specialised in EM fixed income and currencies and became Fund Manager in 2017. He began his career at Barclays Capital in 2005, where he worked as a fixed income quantitative analyst. In 2007, he shifted to trading positions, first in interest rates derivatives at JP Morgan and then in EM fixed income trading at Deutsche Bank from 2008 to 2013. Finally, he entered Caxton in London, where he was Portfolio Manager. Joseph holds a Master's degree in Applied Mathematics and Multidisciplinary Engineering from Ecole Centrale and a Master's degree in Financial Mathematics from Dauphine University and ENSAE.

Source: Carmignac, Morningstar, 30 September 2021.

(1) Source: Bloomberg, 30/09/2021

(2) Source and Copyright: Citywire. Joseph Mouawad is AAA rated by Citywire for his rolling three year risk-adjusted performance across all funds the manager is managing to 30th September 2021. Citywire Fund Manager Ratings and Citywire Rankings are proprietary to Citywire Financial Publishers Ltd ("Citywire") and © Citywire 2021. All rights reserved.

(3) Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. For more information please refer to <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

(4) Reference indicator: JP Morgan GBI –Emerging Markets Global Diversified Unhedged EUR Index

(5) Morningstar category: Global Emerging Markets Bond. Performance of the A EUR acc share class ISIN code: LU1623763221.

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

CARMIGNAC PORTFOLIO EM DEBT A EUR ACC

(ISIN: LU1623763221)

SFDR - Fund Classification** :

Article **8**



Recommended minimum investment horizon



MAIN RISKS OF THE FUND

EMERGING MARKETS: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest. **INTEREST RATE:** Interest rate risk results in a decline in the net asset value in the event of changes in interest rates. **CURRENCY:** Currency risk is linked to exposure to a currency other than the Fund's valuation currency, either through direct investment or the use of forward financial instruments. **CREDIT:** Credit risk is the risk that the issuer may default.

The Fund presents a risk of loss of capital.

*Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. **The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

CARMIGNAC PORTFOLIO EMERGING PATRIMOINE A EUR ACC

(ISIN: LU0592698954)

SFDR - Fund Classification** :

Article **8**



Recommended minimum investment horizon



MAIN RISKS OF THE FUND

EQUITY: The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization. **INTEREST RATE:** Interest rate risk results in a decline in the net asset value in the event of changes in interest rates. **CREDIT:** Credit risk is the risk that the issuer may default. **EMERGING MARKETS:** Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

The Fund presents a risk of loss of capital.

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PERFORMANCE (ISIN: LU1623763221)

Calendar Year Performance (as %)	2017	2018	2019	2020	2021
Carmignac Portfolio EM Debt	+0.8 %	-10.5 %	+28.1 %	+9.8 %	+3.2 %
Indicateur de référence	+0.4 %	-1.5 %	+15.6 %	-5.8 %	-1.8 %

Calendar Year Performance (as %)	2022	2023	2024	2025 (YTD)
Carmignac Portfolio EM Debt	-9.4 %	+14.3 %	+3.7 %	+0.5 %
Indicateur de référence	-5.9 %	+8.9 %	+4.4 %	+0.9 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio EM Debt	+6.4 %	+7.5 %	+4.6 %
Indicateur de référence	+4.1 %	+2.9 %	+1.7 %

Source: Carmignac at Mar 31, 2025.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

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- **In the United Kingdom**, the Funds' respective prospectuses, KIIDs and annual reports are available at, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This material was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013).
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