# CARMIGNAC SÉCURITÉ: THE FUND MANAGER'S THOUGHT

**30/10/2020** | MARIE-ANNE ALLIER, KEITH NEY

**The monetary and fiscal policies that took shape during the second quarter fully delivered their effects on financial markets in the third.**

The assurance that the ECB would unfailingly buy financial assets, combined with the European Union's pledge to cover part of member states' financing needs as of 2021, was enough to keep German bond yields steady during the quarter. 5- and 10-year Bunds traded within a 15-basis-point range and ended the quarter practically where they had started, which was –0.50% in the case of 10-year paper. **This stability at markedly negative yields was what convinced us to hold no substantial positions in that market segment over the period.**

A different picture emerges, however, when you consider other eurozone countries, particularly those offering significant credit spreads at a time of negative interest rates – i.e., Italy, Greece, Portugal, Cyprus and Spain. **Bond yields in those countries fell consistently throughout the summer.**Those on Italian 10-year issues shrank from 1.3% to almost 0.7%. In response, we at Carmignac Sécurité stayed highly active in this corner of the fixed-income market, beefing up our holdings of sovereigns from Southern Europe and extending the maturities on them to between 5 and 7 years. **After the summer rally, we scaled back those positions, notably by selling off the shortest-maturity bonds paying negative yields.**At the end of September, Italian sovereign and quasi-sovereign debt accounted for the bulk of our government bond portfolio.

The other big winner in this policy mix has been corporate credit

Despite the unprecedented economic slump, companies managed from early April onwards to secure the funding they needed via primary issues. Our Fund invested extensively in them to access the relatively high yields on offer. Once the worst was over, the low overall level of so-called risk-free rates, combined with central-bank support through asset purchases, made it possible for corporate credit to book solid performance.

Credit spreads narrowed sharply in July and August, though September was more of a mixed bag. **Ever since April, we have been steadily raising our exposure to this kind of debt**to a high point at which it accounted for 67% of our total portfolio (not including investments in CLOs). That point was reached at end-July, with that allocation accounting for almost two thirds of the Fund's total modified duration. From then on, we gradually reduced duration, and more markedly so in late August.

**We mainly sold the longest maturities in our portfolio on negative-yielding bonds, as well as on issues that didn't enjoy direct ECB support**(chiefly bank bonds and bonds from non-eurozone issuers). At the same time, we have maintained our strong convictions on companies directly affected by the economic and public health crisis despite having extremely healthy balance sheets, which give them the cushioning needed to weather the storm.

Names that come to mind include **Easyjet** and **Airbus** in aviation, the **Carnival** cruise line and **Pemex** in the energy sector.

At end-September, **corporate credit accounted for 56% of the Fund's assets**. We made no change to our CLO allocation in the quarter. That asset class has one of the most attractive risk/return profiles in the euro market (particularly on the highest-rated CLOs), which is why we have kept our exposure at around 7.5% of our portfolio.

In the last quarter of 2020, we will be in for a number of developments that stand a good chance of surprising the market. **The US presidential election, Brexit and a possible vaccine all have the potential to make financial asset prices more volatile** . By reducing portfolio risk while holding onto several strong convictions, we at Carmignac Sécurité should have the agility required in such an environment.

**Discover the Fund's webpage:**

## PERFORMANCE (ISIN: FR0010149120)

| **Calendar Year Performance (as %)** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| **Carmignac Sécurité** | **+2.1 %** | **+0.0 %** | **-3.0 %** | **+3.6 %** | **+2.0 %** |
| Indicateur de référence | +0.3 % | -0.4 % | -0.3 % | +0.1 % | -0.2 % |

| **Calendar Year Performance (as %)** | **2021** | **2022** | **2023** | **2024** | **2025 (YTD)** |
|---|---|---|---|---|---|
| **Carmignac Sécurité** | **+0.2 %** | **-4.8 %** | **+4.1 %** | **+5.3 %** | **+0.7 %** |
| Indicateur de référence | -0.7 % | -4.8 % | +3.4 % | +3.2 % | +0.7 % |

| **Annualised Performance** | **3 Years** | **5 Years** | **10 Years** |
|---|---|---|---|
| **Carmignac Sécurité** | **+3.2 %** | **+2.4 %** | **+0.9 %** |
| Indicateur de référence | +1.1 % | +0.4 % | +0.1 % |

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).

* Keith Ney arrival (22/01/2013). Performance Indicator: EuroMTS 1-3 years index (EUR). Performance of the A EUR acc share class. 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 possible entrance fees charged by the distributor).

# CARMIGNAC SÉCURITÉ AW EUR YDIS

(ISIN: FR0011269083)

SFDR - Fund Classification** :

**Article 8**

LOWEST RISK — HIGHEST RISK

| 1 | 2* | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

Recommended minimum investment horizon: 2 YEARS

## MAIN RISKS OF THE FUND

**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. **RISK OF CAPITAL LOSS**: The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase. **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.

**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.