

# WHAT ARE THE BENEFITS OF A LONG-SHORT APPROACH?

31/08/2020 | MALTE HEININGER

As investors, equities represent a crucial driver of long-term capital appreciation. However, equity markets can go through periods of high volatility and not always deliver the expected positive returns.

For investors seeking this equity exposure but looking for a better downside risk mitigation – long-short equity strategies can become a key pillar in their asset allocation.

## **Increase diversification**

Our long-short strategies will buy stocks we expect to outperform the market (long positions) and will sell stocks we expect will underperform (short positions), based on our company analysis. This expands our investment universe and create a more diversified portfolio, less sensitive to equity market moves.

## **Well positioned during down markets**

We rely less on upward markets as we can profit from both rising and falling prices. Our strategy provides an element of protection, or hedge, when markets decline because gains on short positions will dampen losses on long positions.

## **Lower the overall portfolio volatility**

In addition to this ability to profit from falling prices, we are not required to maintain a static exposure and can adjust our risk profile in response to market volatility. The result is noticeable? This flexibility has provided higher returns than the market with half the volatility and only a quarter of the drawdown.

While long-short equity strategies can seem more complex than traditional long only strategies, the flexibility they offer can be a true benefit in a diversified allocation, particularly in difficult or neutral market conditions.

## **Focus on Carmignac Long-Short European Equities**

### **• A strategy to manage its European equity market's downside...**

Over the last 3 years, our European Long-Short Equity strategy's sensitivity to the European equity market has been very low at 0.2; which means that if the European equity market loses 1%, our strategy would lose 0.2% on average. This shows how the Fund can behave quite differently while still being exposed to European equities.

### **• While outperforming the market over a 3-year period**

The flexibility of its risk profile has provided higher returns than the market with half the volatility and only a quarter of the drawdown.

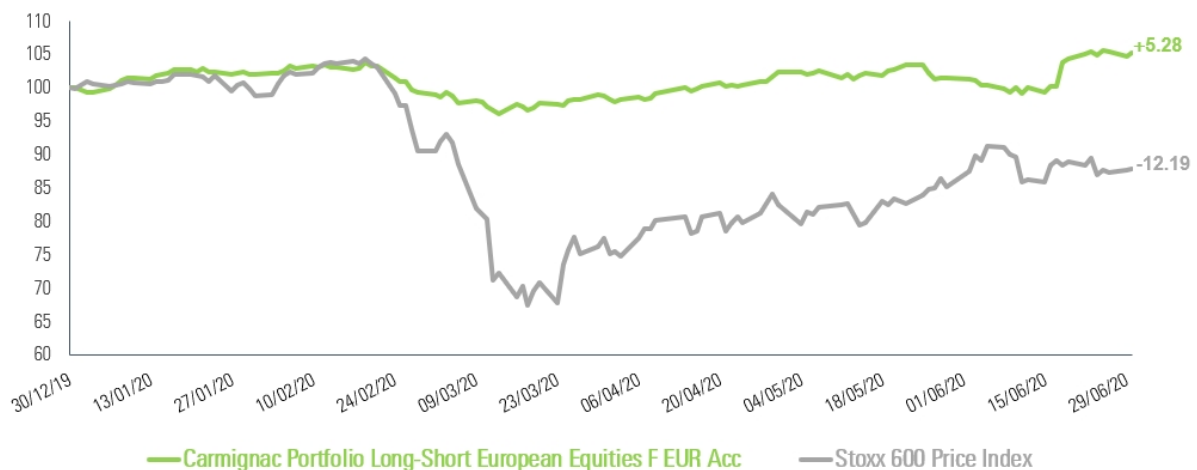
3-year data as of 30/06/2020	Carmignac Portfolio Long-Short European Equities <sup>(1)</sup>	Stoxx 600 <sup>(2)</sup>	Risk mitigation effect
Cumulative return	24.00%	2.80%	21.20%
Volatility	7%	22%	-15%
Max drawdown	-9%	-35%	-26%

Annualised performance as of 30/06/2020	YTD	3 years	5 years	10 years
Carmignac Portfolio Long-Short European Equities <sup>(1)</sup>	5.18%	7.41%	4.75%	-
Reference indicator <sup>(3)</sup>	-1.62%	0.12%	0.70%	-

<sup>1</sup> F EUR Acc share class ISIN code: LU0992627298. 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. The fund presents a risk of capital loss. <sup>2</sup> The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region. <sup>3</sup> Reference indicator : 85% Eonia compounded + 15% Stoxx 600 (Reinvested net dividends). Quarterly rebalanced.

#### • How the Fund navigated the Covid-crisis

The protection provided by its short positions as well as the ability to mitigate the drawdown during the first semester of the year have enabled us to provide positive returns, while the market was down close to -12%.



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\*\*Discover the Fund's webpage:\*\*

# CARMIGNAC PORTFOLIO LONG-SHORT EUROPEAN EQUITIES F CHF ACC HDG

(ISIN: LU0992627371)

SFDR - Fund Classification\*\* :

Article **8**



Recommended minimum investment horizon



## MAIN RISKS OF THE FUND

**RISK ASSOCIATED WITH THE LONG/SHORT STRATEGY:** This risk is linked to long and/or short positions designed to adjust net market exposure. The Fund may suffer high losses if its long and short positions undergo simultaneous unfavourable development in opposite directions. **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. **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>.

Recommended minimum investment horizon:



\* Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. F EUR Acc share class ISIN code: LU0992627298

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