



Carmignac Emergents : Letter from the Fund Managers

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Length

6

+2.85%

Carmignac Emergents' performance

in the 2nd quarter of 2021 for the A EUR Acc share class.

+4.11%

Reference indicator's performance

in the 2nd quarter of 2021 for MSCI EM (EUR) (Reinvested net dividends).

+5.54%

Performance of the Fund Year-to-Date

versus +10.86% for the reference indicator.

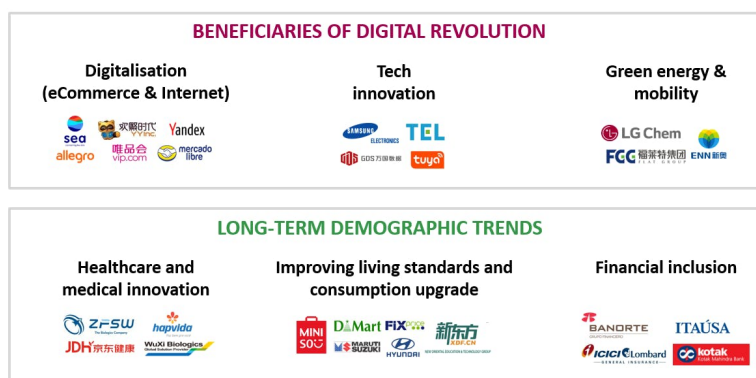
What happened in emerging markets during the second quarter of 2021?

The Chinese equity market suffered a rout that was in no way correlated with the country's economic indicators. These still point to high growth even though Beijing's monetary and fiscal policies are more orthodox than in the world's other leading economic regions. In our view, China is home to the world's most effectively managed economy in this year of recovery. Inflation is low, the balance-of-payment surplus is rising and the central bank has enough running room to inject liquidity to keep the economy humming whenever that seems appropriate.

The equity-market slide is due rather to state action. To protect consumers, the Chinese government has been exerting considerable pressure on many of the country's listed companies for alleged antitrust violations. The first firms in the firing line have of course been the top big-tech names that have emerged as the clearcut winners in the unfolding technological revolution – i.e., local counterparts to GAFAM like Tencent, Alibaba, Meituan and Pinduoduo. A further target of the crackdown are private-sector education companies accused by Beijing of charging excessively high tuition. And towards the end of the quarter, the government went after Didi, China's answer to Uber, for daring to pursue public listing in New York, whereas the authorities had pushed for listing in Hong Kong. Retribution came in the form of a cybersecurity investigation in the name of user privacy just days after Didi's IPO. These various actions sparked a broad selloff in Chinese equities that proved detrimental to our portfolio – even though none of the names we hold were directly affected by the latest measures.

Portfolio adjustments and current positioning

Focus on Beneficiaries of Digital Revolution & Long-Term Demographic Trends



Sources: Carmignac, Company data, 30/06/2021
Carmignac's portfolios are subject to change at any time.

Since the recent market tumble, we've seen some great buys at what are now highly attractive prices. We took advantage of the selloff to beef up specific holdings like **VIP Shop**, which was trading at an inordinately low P/E multiple (7 times the firm's EBITDA¹) and **JOYY**, which was selling at a price that seemed completely oblivious to the company's Bigo Live business in Southeast Asia, which in our opinion accounts for nearly half of JOYY's value. We also initiated a position in **New Oriental Education** after the company's share price fell 60%. We considered that an unreasonable drop for a firm that has an extremely solid balance sheet after raising a large amount of capital through its secondary listing in Hong Kong.

Elsewhere in Asia, we acquired a stake in Japanese company **Tokyo Electron**. Though Japan is not an emerging market, Tokyo Electron earns two thirds of its revenue from customers in the emerging world, and therefore seemed to be a good fit with the Fund's investment universe. We have had holdings for years now in the semiconductor industry, which has enjoyed steadily rising demand due to the tech revolution under way. We expect that revolution to accelerate as 5G, self-driving cars and the Internet of Things gain further traction. And in addition to those positives on the demand side, we feel the industry has a most attractive supply structure, with highly profitable oligopolies. Our favourite investment in semiconductors is still **Samsung Electronics**, a firm with unchallenged leadership in the memory segment (DRAM and NAND). That said, Tokyo Electron also appears to be in an excellent position to cash in on the heavy capital spending planned by manufacturers, as its photovoltaic (PV) cell production-equipment business has a quasi-monopoly². Furthermore, Tokyo Electron ticks all the right boxes in our SRI process, as well as in regard to our governance and climate-risk management requirements. The firm has set itself extremely clear and precise targets for cutting carbon emissions by 2030 and again by 2050. And with independent members making up one third of its Board of Directors, Tokyo Electron pursues shareholder-friendly policies, particularly in relation to transparency and the appropriation of equity.

Our portfolio is still preponderantly focused on Asia (75.8% of net assets³), where GDP growth is higher and economic governance better than in other emerging and developed markets. This is also the region that in our view offers the largest pool of innovative tech and web companies. Those companies are already at the forefront of the digital revolution, and will stay there.

It's also worth stressing that the Fund has diversified geographic exposure, with sizeable investments in Latin America (12.7% of net assets)³ and Russia (6.4% of net assets)³. Both of those regions are running balance-of-payment surpluses and offer attractive valuations since their currencies suffered a disproportionate depreciation in 2020 that was utterly uncoupled from prices for the raw materials they export. During the second quarter, we thus upped our holdings in Mexican bank **Grupo Banorte** and in **Hapvida**, a Brazilian healthcare company. We still maintain that the emerging-market rally will be more uniform in 2021 than it was in 2020, when Asia was the only region turning in positive performance.

Socially responsible investment at the heart of our approach

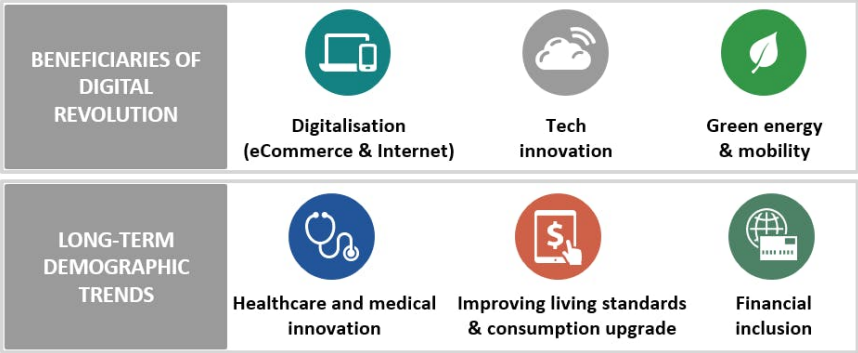
Since its inception in 1997, Carmignac Emergents has combined what we consider our emerging-market DNA since 1989 with our commitment to strengthening our status as a key name in socially responsible investment. In welding together those two areas of expertise, we aim to add value for our investors while leaving a positive imprint on society and the environment.





Carmignac Emergents is classified as an Article 8 fund under the Sustainable Finance Disclosure Regulation (SFDR)⁴, and was awarded France’s SRI certification in 2019 and Belgium’s Towards Sustainability label in 2020⁵.

Our portfolio is currently structured around six major socially responsible investment (SRI) themes that are central to our processes.



Source: Carmignac, 30/06/2021\n\n* Reference indicator: MSCI EM NR (USD) net dividends reinvested. China - including Hong Kong. Excluding derivative positions. Carmignac’s portfolios are subject to change at any time. Data are rebased to 100% for Sector & Country positioning.

As explained elsewhere, we take a three-pronged approach to social responsibility:

- Invest selectively and with conviction**, giving priority to sustainable growth themes in underinvested sectors and countries with sound macroeconomic fundamentals.
- Invest for positive impact**, favouring companies that deliver solutions to environmental and social challenges in emerging markets and reducing our carbon imprint by 70% relative to the MSCI Emerging Markets Index.
- Invest sustainably** by consistently incorporating environmental, social and governance (ESG) criteria into our analyses and investment decisions.



Carmignac Emergents

Grasping the most promising opportunities within the emerging universe

Discover the fund page

Carmignac Emergents A EUR Acc

ISIN: FR0010149302

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.

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.

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.

DISCRETIONARY MANAGEMENT: Anticipations of financial market changes made by the Management Company have a direct effect on the Fund's performance, which depends on the stocks selected.

The Fund presents a risk of loss of capital.

Source : Carmignac, 30/06/2021.

¹ Source: Bloomberg, CLSA, Bernstein, company data, 30/6/2021.

² Source: Bloomberg, CLSA, Gartner, WSTS, Bernstein, company data, 30/6/2021.

³ Source: Carmignac, 30/6/2021.

⁴ The EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 "lays down harmonised rules on the provision of sustainability-related information with respect to financial products". For further information, see <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

⁵ Carmignac Emergents has been awarded the French and Belgian SRI labels. See <https://www.lelabelisr.fr/en/> ; <https://www.towardssustainability.be/> ; <https://www.febelfin.be/fr>.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.

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The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com/en, or upon request to the Management Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com/en, or upon request to the Management.

In the United Kingdom: the Funds' respective prospectuses, KIDs and annual reports are available at www.carmignac.com/en-gb, 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 document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.

In Switzerland: the prospectus, KIDs and annual report are available at www.carmignac.com/en-ch, or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

In Spain : The Funds are registered with the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores) under the following numbers: Carmignac Sécurité 395, Carmignac Portfolio 392, Carmignac Patrimoine 386, Carmignac Absolute Return Europe 398, Carmignac Investissement 385, Carmignac Emergents 387, Carmignac Credit 2027 2098, Carmignac Credit 2029 2203, Carmignac Credit 2031 2297, Carmignac Court Terme 1111.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).

For Carmignac Portfolio Long-Short European Equities: Carmignac Gestion Luxembourg SA in its capacity as the Management Company for Carmignac Portfolio, has delegated the investment management of this Sub-Fund to White Creek Capital LLP (Registered in England and Wales with number OCC447169) from 2nd May 2024. White Creek Capital LLP is authorised and regulated by the Financial Conduct Authority with FRN : 998349.

Carmignac Private Evergreen refers to the Private Evergreen sub-fund of the SICAV Carmignac S.A. SICAV – PART II UCI, registered with the Luxembourg RCS under number B285278.