



Carmignac Portfolio Grande Europe: Letter from the Fund Manager



Author(s)
Mark Denham

Published
July 27, 2021

Lengt
4

+7.04%

Carmignac Portfolio Grande Europe's performance

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

+6.43%

Reference indicator's performance

in the 2nd quarter of 2021 for Stoxx 600 (Reinvested net dividends).

+11.40%

Performance of the Fund Year-to-Date

versus +15.15% for the reference indicator

European Equity Market Review

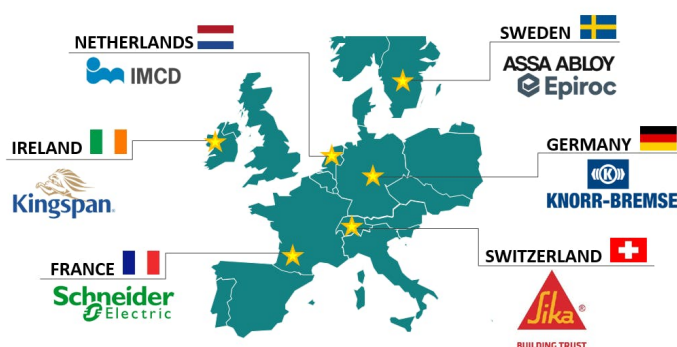
In the period, European stocks continued to progress steadily higher, with very little daily volatility, bringing the year to date return to low-double digit. **Equities continue to respond positively to the ongoing vaccine rollouts worldwide and the prospect of economies re-opening at some point later in 2021, thereby anticipating strong profit recovery across the equity market.** However, whereas in the first quarter this optimism was accompanied by rising inflation expectations and significant increases in bond yields, in the second quarter bond yields in Europe, and globally, fell back on the realisation that many **inflationary pressures are likely temporary aftershocks from lockdowns** (ie: supply chain disruptions and tightness of labour supply, among others).

Portfolio Management

This backdrop brought about a sharp change in the leadership within the market. Previously, outperforming **cyclical areas of the market like Banks, Oil & Gas, Commodities, and Autos** started to lag the overall market. **As we have little or no exposure to these areas, this change was beneficial for our comparative performance from a top-down perspective.** Among the other sectors, the performance was quite balanced, but generally stocks with better long-term visibility performed best over the period. This has been the case for our Healthcare names and specifically for **Novo Nordisk – the diabetes specialist – one of our best performers in the period.** The stock responded well to a strong Q1 earnings' report and also benefited from the approval in the US of a modified version of one of its drugs for the vast obesity indication – in full alignment with our investment thesis. Another stock that performed well is AstraZeneca, a pharmaceutical name we added in the quarter as we feel this is a particularly attractive opportunity based on the ongoing growth of their diversified portfolio of cancer drugs, among other therapeutic areas. To initiate this new position, we took advantage of a favourable entry point created by a M&A deal which we believe will be profit and cash flow accretive and will add to the company's portfolio a franchise in the niche "rare" diseases market.

Our Industrial names were also another source of strong returns. Although cyclical stocks lagged in the period, our focus on high quality industrial names – characterised by high profitability benefiting from secular trends – stood us in good stead. One example is Kingspan – the insulation specialist – which is benefiting from ongoing demand for more energy efficient buildings and tighter building standards.

Industrials: Innovation and Sustainability in Niche Segments



Portfolio composition may vary over time. The trademarks and logos do not imply any affiliation with or endorsement by the respective entities. Source: Carmignac

Other stocks delivering sustained profit growth, not only above 2020 levels but comfortably above 2019 as well, have been among our consumer names. LVMH saw its stock price rise in the quarter after a strong Q1 report, which was a testament to the strength of their brands. Although reducing our exposure after such a strong run, we retain our position in the name as we believe in the durability and desirability of consumer brands which have delivered results in a difficult environment such it was 2020.

On the negative side, we continued to see significant weakness in our renewable energy names especially Vestas – wind turbines – and Orsted – offshore wind farms. These stocks got ahead of themselves early in 2021 but now that prices have fallen dramatically from their peak levels, we think they look attractive again, especially given the rise in yields has abated. For these reasons, we have been gradually increasing our positions in both names, as well as adding to Solaria – the Spanish solar farm developer. Positive news flow momentum should also pick up in the coming months as more announcements related to spending of the EU Recovery fund in the second half of 2021 should be more targeted to "green" projects. We also believe an extension of renewable tax credits in the US is possible.

Outlook

Heading into the second half of 2021 the broad structure of the portfolio is unchanged and remains a consequence of our bottom-up stock picking process which focuses on profitable companies with high return on capital. Such companies, we believe, are the most attractive names for investors who are seeking sustainable long-term returns.

Carmignac Portfolio Grande Europe

A large and mid-cap European equity strategy with stock-picking at its core

[Discover the fund page](#)

Carmignac Portfolio Grande Europe A EUR Acc

ISIN: LU0099161993

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.

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.

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.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

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, for the shares which are not currency-hedged.

Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA. 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, NAVs and annual reports are available at www.carmignac.com/en, or upon request to the Management Company. 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 Company.

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.