CARMIGNAC PATRIMOINE: LETTER FROM THE FUND MANAGERS

15/04/2024 | CHRISTOPHE MOULIN, JACQUES HIRSCH, ELIEZER BEN ZIMRA, GUILLAUME RIGEADE, KRISTOFER BARRETT

+5.51%

Carmignac Patrimoine's performance in the 1st quarter of 2024 for the A EUR Share class.

+4.13%

Reference indicator's performance in the 1st quarter of 2024.

1%

quartile performance over the quarter versus peers*.

Over the 1st quarter of 2024, ***Carmignac Patrimoine*** *posted a performance of +5.51%, outperforming its performance indicator (+4.13%)[1].*

MARKET ENVIRONMENT DURING THE PERIOD

The beginning of the year was marked by both resilient economic data in the United States and stickier inflation, which led central banks and the markets to expect fewer interest rate cuts in 2024 than at the start of the year. While equity markets welcomed this better-than-expected macroeconomic backdrop, bond markets were nervous.

The S&P 500 recorded its best start to the year since 2019. The 'Magnificent 7' accounted for 40% of the index's increases. However, as the quarter drew to a close, there was a broader market participation, leading to more diversified performance sources. This was especially noticeable with the involvement of cyclical sectors, indicating a more robust bullish trend.

On the bond markets, interest rates rose, with European sovereign bonds outperforming their US counterparts. This discrepancy can be explained by less favourable macroeconomic data in Europe, which also caused a depreciation of the euro versus the dollar. Meanwhile, similar to equities, credit markets benefited from supportive macroeconomic conditions over the quarter.

PERFORMANCE REVIEW

During the quarter, the fund was able to capture the rise in the markets thanks to its exposure to riskier assets (equities and credit).

Our stock selection was the main contributor to performance through our two long-term investment themes: artificial intelligence (AI) and obesity/diabetes treatments in the healthcare sector.

AI chip giant, Nvidia was the portfolio's best performer. Although we remain confident in the company's future profitability, we took advantage of the surge in the share price to take some profits. Meta also posted a strong rebound, benefiting from the positive effects of its cost-cutting program and the impact of AI on its advertising business. Outside the technology sector, Eli Lilly and Novo Nordisk continue to benefit from their duopoly position in weight-loss drugs.

Our investment in the corporate bond market was positively impacted by a substantial carry combined with narrower credit spreads. All credit segments, including European Investment Grade bonds, high-yield corporate bonds in emerging countries, and CLOs, contributed to the fund's overall performance.

However, in this environment characterised by an extremely concentrated rebound in the equity markets, our *macro-overlay*, which consists of hedges on equity and credit indices as well as exposure to commodities, slightly detracted from the Fund's performance. The purpose of this component is to mitigate potential losses during market downturns and to add diversification to our equity portfolio.

OUTLOOK AND POSITIONING

The US economy should continue to outperform the rest of the world. Indeed, we expect economic growth to remain resilient in the first half of the year, before a soft landing in the second half. At the same time, the disinflationary trend is bottoming out and inflation risks appear on the rise. In Europe, on the other hand, growth remains weak, although a gradual recovery is underway thanks to a slight upturn in manufacturing and an improvement in real income due to a combination of higher wages and lower inflation. Indeed, two years of economic stagnation have taken their toll on cyclical inflation in the eurozone. As far as the central banks are concerned, a synchronised cycle of monetary easing is underway, with a pivot by the European Central Bank and the Federal Reserve that could take place in early summer of 2024.

This environment should continue to offer a favourable cocktail for riskier assets. However, while the financial markets are not showing any signs of exuberance, this scenario has already been priced in, with most indices having reached all-time highs. Consequently, regular profit-taking and selectivity are essential. We are also strengthening laggards and diversifying our equity exposure into the industrial sector in particular. We have also put in place cheap hedges, mainly through stock and volatility index options.

Regarding our investment in the credit markets, the performance potential remains interesting through carry. On sovereign interest rates, we maintain a low modified duration. Although central banks have signalled their intention to pivot, the resilience of growth and inflation data prompts us to be cautious, particularly on the long end of the curve.

Finally, we are optimistic about commodities in the next few months, as they should gain from the gradual recovery of manufacturing. We favour the gold and copper sectors. This conviction is expressed through investments in equities, bonds, and currencies.

From 8 April 2024, Kristofer Barrett will take over the stock-picking of Carmignac Patrimoine. Kristofer will work alongside the two expert duos appointed in September 2023. Collectively, the Fund Managers are responsible for the Fund's various performance drivers: stock selection, management of the bond portfolio and currency exposure, piloting the macroeconomic component, portfolio construction and risk management.

[1]Source: Carmignac at 29/03/2024. Benchmark index: 40% MSCI ACWI (USD) (net dividends reinvested) + 40% ICE BofA Global Government Index (USD) + 20% capitalised ESTER. Quarterly rebalancing.

*Source: Carmignac, Morningstar. © 2024 Morningstar, Inc - All rights reserved. Carmignac Patrimoine A EUR Acc (ISIN: FR0010135103). *Morningstar category: EUR Moderate Allocation – Global. Performances are net of fees (excluding possible entrance fees charged by the distributor). Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations.*

SFDR - Fund Classification** :

Article 8

LOWEST RISK — HIGHEST RISK

1	2	3*	4	5	6	7

Recommended minimum investment horizon 3 YEARS

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. **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.

FEES

Entry costs : 4,00% of the amount you pay in when entering this investment. This is the most you will be charged. Carmignac Gestion doesn't charge any entry fee. The person selling you the product will inform you of the actual charge.

Exit costs : We do not charge an exit fee for this product.

Management fees and other administrative or operating costs : 1,51% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% max. of the outperformance once performance since the start of the year exceeds that of the reference indicator and if no past underperformance still needs to be offset. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

Transaction Cost : 0,63% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

ANNUALISED PERFORMANCE (ISIN: FR0010135103)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Patrimoine	+8.8 %	+0.7 %	+3.9 %	+0.1 %	-11.3 %
Indicateur de référence	+16.0 %	+8.4 %	+8.1 %	+1.5 %	-0.1 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Patrimoine	+10.5 %	+12.4 %	-0.9 %	-9.4 %	+2.2 %
Indicateur de référence	+18.2 %	+5.2 %	+13.3 %	-10.3 %	+7.7 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Patrimoine	+2.5 %	+2.4 %	+2.0 %
Indicateur de référence	+2.6 %	+4.7 %	+6.5 %

Source: Carmignac at 30 Apr 2024.
Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

CARMIGNAC
INVESTING IN YOUR INTEREST