

CARMIGNAC PORTFOLIO EMERGING DISCOVERY : LETTER FROM THE FUND MANAGERS

24/04/2023 | XAVIER HOVASSE, AMOL GOGATE

Carmignac Portfolio Asia Discovery¹ returned +2.8% during the first quarter of 2023 versus +1,6% for its reference indicator²

During the first quarter of 2023, the fund's investments in Taiwan, Mexico and South Korea contributed positively to overall returns. The fund was also able to sell down legacy Russian holdings at a profit relative to the value they were written down to a year ago. While returns of the broader Indian market were negative in absolute terms, the fund's holdings in India delivered good relative gains.

PERFORMANCE EXPLANATION

This year, equity markets are being shaped by two contrasting forces. On one hand, we are seeing tailwinds from the reopening in China and continued growth, albeit at a slower pace than 2022, across much of the rest of our emerging markets universe. The interest rate cycle getting closer to its peak across many geographies is also helping equities. On the other hand, increasing signs of an economic slowdown in the US are keeping us on our toes. We remain focused on identifying businesses that have a combination of a long runway for growth ahead of them, sustainably profitable business models and management teams we can trust. We hope to use the volatility in the markets to buy more of these businesses at attractive valuations.

One of the businesses that we have gradually built a position in recent quarters is **Policybazaar (PB Fintech)**. Policybazaar is India's leading online insurance agent. India has a very low penetration of term life insurance and health insurance. Policybazaar started as a price comparison site allowing customers to compare offerings of various insurers. But over the years they have built capabilities to help customers complete the entire process of purchase of insurance online. This is particularly relevant for term life and health insurance where customers need advice and significant handholding in choosing the right product. Policybazaar has sometimes gone even further and identified products for which there was unmet demand and advised insurers to build such products and offer them on Policybazaar. We have tracked Policybazaar since the time they were a private company and have greatly come to respect their founders and management. There was a meaningful sell-off in the shares of Policybazaar towards the end of last year and early this year, which allowed us to build a position at very attractive prices.

Another area of continued interest for us has been electric vehicles (EV). Both China and South Korea have established themselves as leaders in EV battery supply chain. EV batteries are set for strong growth in the coming years given active policy support for EV adoption globally, especially in the US with generous subsidies announced under the 'Inflation Reduction Act'. Our focus has been to identify high barrier-to-entry business models within the EV supply chain. The fund currently has investments in **Chunbo** and **Daejoo Electronic Materials**. There has recently been euphoria surrounding cathode makers in South Korea, but our preference has been for businesses with clear technology leadership who can sustain attractive margins and return-on-capital over the long term.

OUTLOOK GOING FORWARD

During the first quarter of 2023, we have added to the fund's higher conviction holdings whenever the opportunity has arisen, we also have taken profits on some of our long-term holdings such as **Varun Beverages**. India remains an excellent market to find long term compounders, but we are also wary of high valuations at a time when many major economies around the world have exited the very-low-interest-rates regime of the previous decade. The fund continues to have a good mix of defensive holdings though investments in predictable return companies such as the Brazilian transmission utility **Alupar**, where growth is somewhat lower but even then, the guaranteed regulated returns are very attractive.

As we head into the second quarter of 2023, the fund's focus on small and mid-caps in Emerging Markets continues to offer us a diversity of opportunities across themes in our major geographies – from leaders in export of services and resultant domestic consumption in India and ASEAN to goods export powerhouses of China and Vietnam and their domestic consumption; from advanced technology ecosystems in South Korea and Taiwan to economies enriched by critical commodities across Latin America, Middle East and Africa. We aim to continually strengthen the fund's portfolio by taking advantage of opportunities offered by dislocations in any specific geography or theme.

¹Performance of the A EUR acc share class ISIN code: LU0336083810. 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). From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested.

²50% MSCI EM SmallCap (EUR) + 50% MSCI EM MidCap (EUR) (Reinvested net dividends rebalanced quarterly).

Sources: Carmignac Bloomberg, CLSA, BoAML Research, company data, 31/03/2023

CARMIGNAC PORTFOLIO ASIA DISCOVERY A EUR ACC

(ISIN: LU0336083810)

SFDR - Fund Classification** :

Article **8**



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. **LIQUIDITY:** Temporary market distortions may have an impact on the pricing conditions under which the Fund might be caused to liquidate, initiate or modify its positions.

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>.

PERFORMANCE (ISIN: LU0336083810)

Calendar Year Performance (as %)	2015	2016	2017	2018	2019
Carmignac Portfolio Asia Discovery	+3.0 %	+3.8 %	+17.9 %	-8.9 %	+10.0 %
Indicateur de référence	+0.2 %	+6.7 %	+18.1 %	-11.6 %	+14.4 %

Calendar Year Performance (as %)	2020	2021	2022	2023	2024
Carmignac Portfolio Asia Discovery	-0.2 %	+25.5 %	-22.4 %	+12.7 %	+29.6 %
Indicateur de référence	+5.4 %	+21.3 %	-11.7 %	+14.9 %	+9.9 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Asia Discovery	+4.2 %	+7.3 %	+6.0 %
Indicateur de référence	+3.7 %	+7.3 %	+6.2 %

Source: Carmignac at Dec 31, 2024.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

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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