

CARMIGNAC PORTFOLIO PATRIMOINE EUROPE: LETTER FROM THE FUND MANAGERS

04/02/2025 | MARK DENHAM, JACQUES HIRSCH

-0.66%

Performance of the Fund in Q4 vs -0.93% for its reference indicator¹ (A EUR Share class).

+7.30%

2024 performance vs +5.10% for the reference indicator.

+19.12%

Cumulative performance over 5 years versus +15.59% for the reference indicator.

Over the fourth quarter, **Carmignac Portfolio Patrimoine Europe A EUR Acc** recorded a performance of -0.66%, outperforming its reference indicator, which posted a loss of -0.93%. For the year 2024, the fund achieved a performance of +7.30%, compared to a rise of +5.10% for its reference indicator.

MARKET ENVIRONMENT DURING THE PERIOD

In 2024, American exceptionalism stood out while Europe faced increasing challenges. Political developments in France and Germany contributed to the growing divergence between the two regions. This difference was also evident in equity markets, where the U.S. stock market delivered robust returns driven by artificial intelligence (AI), with major indices reaching new record highs. In contrast, European indexes showed mixed results. The Stoxx 600 had modest gains, but there were significant disparities, with the DAX performing around 20% while France's CAC 40 was negative. European equities lagged behind due to political instability, economic weakness, and limited exposure to AI, underperforming in a year of strong overall equity returns.

In addition to political disruption, the year was also marked by changing monetary policy expectations. Early in the year, disinflation provided an opportunity for developed central banks to begin normalizing monetary policy. However, the latter stages of this process proved more complex than anticipated, causing investors outside of Europe to adjust their expectations regarding potential rate cuts. Consequently, the European fixed income market experienced significant volatility but delivered positive performance as the weaker economic outlook translated into greater confidence in the downward trajectory of interest rates.

HOW DID WE FARE IN THIS CONTEXT?

The fund ended the year with a performance of +7.30%, surpassing its reference indicator which rose +5.10%. Even more noteworthy is that this performance closely mirrors that of the Stoxx 600 Europe, despite maintaining an average net equity exposure of just 36% and experiencing half of the volatility.

The varied performance across European markets presented numerous opportunities for us as multi-asset portfolio managers. Consequently, all our asset classes contributed positively to our performance in 2024. Within equities, our strategy of selecting high-quality stocks proved successful. Our primary sectors, healthcare and technology, were the main drivers of our performance, with standout stocks including Argenx, Lonza, SAP, and ASML. However, the latter half of the year posed more challenges for our stock selection, as the economic environment favored cyclical stocks that were anticipating multiple rate cuts and a subsequent global economic recovery. At this time our risk management strategies involving derivatives on equity indexes and volatility were effective, particularly during the summer's market turbulence caused by the unwinding of the yen carry trade. As a result, the macro overlay contributed positively to our annual performance.

Within the fixed income allocation, our credit exposure was profitable, and our decision of maintaining a low modified duration throughout the year helped us avoid interest rate volatility. Our credit asset selection once again yielded attractive returns through the carry component. Additionally, our inflation-linked instruments performed well in the second half of the year. Lastly, our exposure to commodities, especially gold, silver, and copper, also proved effective. Gold and copper experienced an outstanding year in 2024, driven by geopolitical tensions, accommodative monetary policies, and strong demand related to the energy transition, which propelled their prices to record highs.

OUTLOOK & POSITIONING

As we look ahead to the first few months of 2025, the global economic landscape will likely be shaped by the initial decisions of President D. Trump and the economic data emerging from the United States. The lack of predictability surrounding the new administration's policies presents a challenge in forecasting specific outcomes. However, President Trump's strong focus on economic growth is expected to initially bolster risky assets, reinforcing our strategy to maintain a high exposure to equities and credit. Close attention will be paid to economic indicators, particularly inflation data, as persistent inflation could hinder further rate cuts in the United States. This scrutiny will be crucial in shaping our investment decisions and risk management strategies.

In Europe, we observe that investor pessimism appears to be fully priced into the market, potentially even excessively so. Despite this, there are several reasons for cautious optimism. The upcoming German elections could result in a strong majority, paving the way for significant fiscal easing. Additionally, developments in Ukraine and China could serve as positive catalysts for the European economy. While these scenarios are not guaranteed, their occurrence in a context of high household savings rates could have a substantial economic impact. This, in turn, could significantly influence European asset markets, given the currently low valuations and expectations.

Carmignac P. Patrimoine Europe is strategically positioned to capitalize on the potential resurgence of interest in a region that has been largely overlooked by investors. By maintaining a vigilant and adaptive approach, we aim to leverage these opportunities to deliver consistent returns for our investors through a diversified strategy that includes: a long-term equity portfolio of European leaders, exposure to European credit, selective investment in key commodities, active management of duration, and robust risk management on equities primarily through options strategies.

Source: Carmignac, Bloomberg, data as of 31/12/2024. Performance of the A EUR Acc share class ISIN code: LU1744628287. Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. ¹Reference indicator: 40% MSCI Europe NR Index (NDDUE15)+ 40% BofA All Maturity All Euro Government Index (ECAS Index) + 20% €STR capitalised index (ESTRON). **Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. Performances are net of fees (excluding possible entrance fees charged by the distributor).**

CARMIGNAC PORTFOLIO PATRIMOINE EUROPE A EUR ACC

(ISIN: LU1744628287)

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. **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. **CREDIT:** Credit risk is the risk that the issuer may default.

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 : 1,80% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% when the share class overperforms the Reference indicator during the performance period. It will be payable also in case the share class has overperformed the reference indicator but had a negative performance. Underperformance is clawed back for 5 years. 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 : 0,74% 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.

PERFORMANCE (ISIN: LU1744628287)

Calendar Year Performance (as %)	2018	2019	2020	2021
Carmignac Portfolio Patrimoine Europe	-4.8 %	+18.7 %	+13.9 %	+9.5 %
Indicateur de référence	-4.8 %	+16.4 %	+2.4 %	+10.2 %

Calendar Year Performance (as %)	2022	2023	2024	2025 (YTD)
Carmignac Portfolio Patrimoine Europe	-12.7 %	+2.1 %	+7.3 %	+4.1 %
Indicateur de référence	-11.0 %	+9.5 %	+5.1 %	+4.5 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Patrimoine Europe	+1.3 %	+4.8 %	+4.8 %
Indicateur de référence	+3.7 %	+4.6 %	+4.1 %

Source: Carmignac at Feb 28, 2025.

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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The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com, 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.

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