

CARMIGNAC PORTFOLIO PATRIMOINE EUROPE: LETTER FROM THE FUND MANAGERS

16/10/2023 | MARK DENHAM, JACQUES HIRSCH

-2.32%

Performance of the Fund in the quarter¹ vs -1.53% for its reference indicator² (A EUR Share class).

-0.52%

Performance of the Fund since the beginning of the year vs +3.78% for its reference indicator.

+20.18%

Performance of the Fund over 5 years vs +15.08% for its reference indicator.

Carmignac Portfolio Patrimoine Europe A EUR Acc lost -2.32% in the third quarter of 2023, compared with a performance of -1.53% for its reference indicator.

MARKETS ENVIRONMENT

After a strong performance of fixed income and equities in the first half of the year, markets experienced a decline in the third quarter. Although the second quarter earnings reporting season was relatively uneventful and consistent with full year expectations of little profit growth overall, global pressure on assets once again came from ever-rising bond yields. Despite falling inflation and weak growth in the region, German 10-year bund yields rose from 2.4% to 2.8% during the period, continuing an ascent from zero at the start of 2022. Indeed, over the period, central bankers maintained an hawkish tone, as illustrated by the additional tightening of the European Central Bank. In addition, the main monetary policymakers reconfirmed an inflation target of 2%, thereby advocating a level of rates "high for longer", which led to a substantial rise in long-term rates since mid-July: 10-year yields are now at their highest levels for over 15 years in Eurozone.

HOW DID WE FARE IN THIS CONTEXT ?

Over the third quarter of the year, the main detractor to the performance of the Fund has been our long duration bias. Indeed, after more than 2 years of sell-off in sovereign bonds, the fund has adopted a strategy aimed at taking advantage of a less favorable economic outlook for the second half of 2023, due to the growing effects of monetary and fiscal tightening on the real economy. Nevertheless, the stickiness of inflation led European central banks to keep an hawkish tone leading to a negative dynamic on the rates front. In such context our exposure to sovereign bonds and to equity had been negative.

On our equity bucket our performance has been affected by some idiosyncratic stories such as Lonza or Adyen whereas the rate environment has been painful for some of our growth-tilted stock such as ASML or Amadeus. Nonetheless we managed to mitigate the negative contribution of equity thanks to overlay strategies on the stoxx600 index that contributed positively to fund's performance. It is also important to underline that our exposure de corporate debt was also positive over the quarter thanks to the carry embedded by credit subsegment such as high yield, subordinated financial debt or CLOs.

OUTLOOK

We continue to have a constructive view of the normalisation of economies and central bank policies. However, if inflation continues to exceed the 2% target, the European Central Bank could moderate its monetary tightening policy due to the slowdown in the European economy. The investment strategy consists of constructing a portfolio balanced between assets benefiting from a gradual economic slowdown while managing inflationary risk. Interest-rate-sensitive assets, such as quality equities and sovereign bonds, are preferred. Downside protection strategies are also put in place in the event of a deeper recession or a resurgence in global inflation. The situation in China is also being closely monitored, as any stimulus measures could have a positive impact on European growth.

¹Performance of the A EUR Acc share class ISIN code: LU1744628287.

²Reference Indicator: 40% STOXX Europe 600 (Reinvested Net Dividends) + 40% ICE BofA All Maturity All Euro Government + 20% ESTER capitalized. Quarterly Rebalanced. Until 31/12/2021, the reference indicator was 50% STOXX Europe 600, 50% BofA Merrill Lynch All Maturity All Euro Government Index. The performances are presented using the chaining method.

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 : 0,67% 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: LU1744628287)

Calendar Year Performance (as %)	2018	2019	2020	2021	2022	2023
Carmignac Portfolio Patrimoine Europe	-4.8 %	+18.7 %	+13.9 %	+9.5 %	-12.7 %	+2.1 %
Indicateur de référence	-4.8 %	+16.4 %	+2.4 %	+10.2 %	-11.0 %	+9.5 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Patrimoine Europe	+1.3 %	+5.1 %	+4.2 %
Indicateur de référence	+1.9 %	+3.6 %	+3.5 %

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).

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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