CARMIGNAC'S ARTICLE 9 FUNDS: A SUSTAINABLE INVESTMENT?

10/07/2024

The arrival of the Sustainable Finance Disclosure Regulation (SFDR) unleashed a latent demand from investors for investment that promotes environmental and social characteristics (Article 8) or sustainable investment (Article 9). At the end of 2023, these two categories remarkably represented almost 60% (EUR5 trillion) of European assets with Article 8 funds at 55.5% and Article 9 at 3.5%[1]. At Carmignac we think that this represents an unequivocal investor expression for sustainability matters to be more thoughtfully considered in investment processes.

Although many Article 9 funds have a thematic tilt to them (for instance a climate or healthcare fund), the funds which received the most inflows during 2023 were generalist Article 9 equity funds[2]; more specifically, multi-sector equity orientated funds which seek to invest in companies that are having a positive impact on the world.

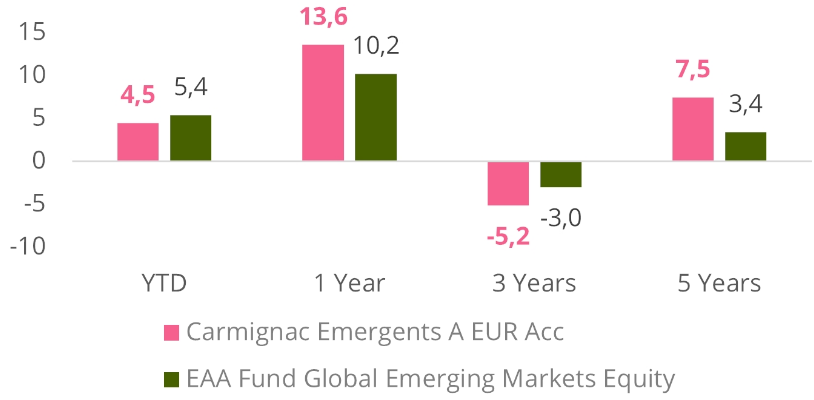
At Carmignac, our core Article 9 strategies deliver a combination of both positive financial and non-financial performance.

PERFORMANCE OVERVIEW

If the sustainable investment approach is well-designed, we don't believe that it necessitates a performance trade off. While across the broader industry Article 9 funds have suffered as they contain a considerable number of clean energy and water thematic funds that were impacted by higher interest rates, inflation and quality issues, our funds have historically provided more resilient returns. For instance, from a peak in 2020, low carbon energy indices have dropped around 50% to date[3]. The key to this has been avoiding the common pitfalls of sustainable investment that rely too heavily on specific sector exposures and exclusions that make funds overly vulnerable to changing macroeconomic conditions and a crowding effect.

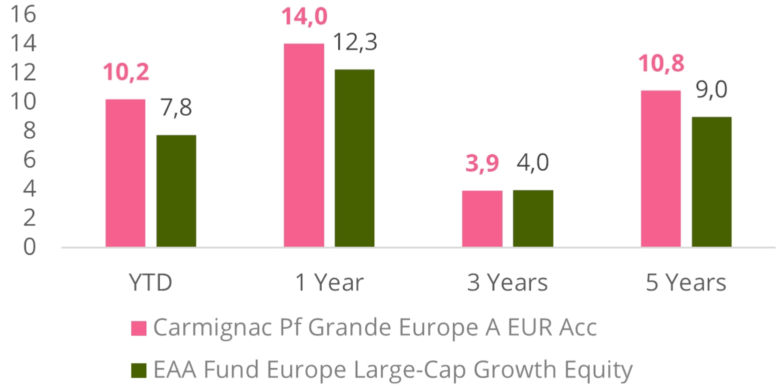
PERFORMANCE OVERVIEW OF OUR KEY ARTICLE 9 FUNDS:

Carmignac Emergents



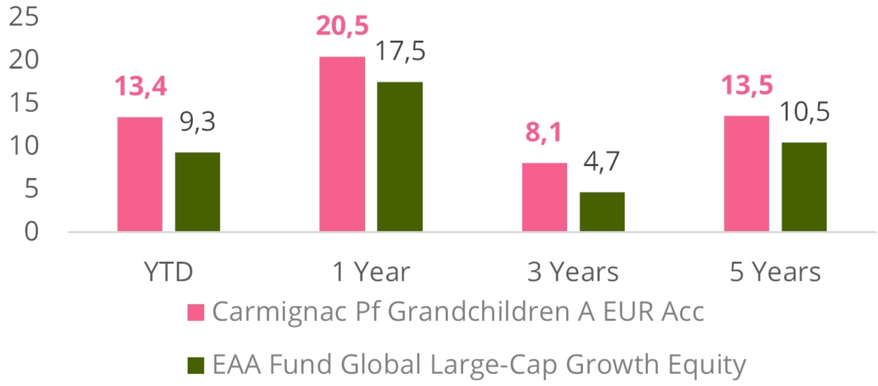
Source: Carmignac, Morningstar. © 2024 Morningstar, Inc - All rights reserved. As of the 31st of May 2024.

Carmignac Portfolio Grande Europe



Source: Carmignac, Morningstar. © 2024 Morningstar, Inc - All rights reserved. As of the 31st of May 2024.

Carmignac Portfolio Grandchildren



Source: Carmignac, Morningstar. © 2024 Morningstar, Inc - All rights reserved. As of the 31st of May 2024.

OUR DIFFERENTIATED APPROACH

Carmignac has three Article 9 core strategies to meet our clients' sustainable investment needs.

Carmignac Emergents
A sustainable equity Fund designed to grasp promising opportunities in emerging markets.

Carmignac Portfolio Grande Europe
An equity Fund that seeks hidden opportunities in Europe through a sustainability-oriented approach.

Carmignac Portfolio Grandchildren
A global equity Fund invested in high-quality, sustainable companies, with a view to future generations.

OUR APPROACH IS THAT ALL RELEVANT SECURITIES IN THE PORTFOLIOS:

Align within our sustainable investment framework
We utilize a number of frameworks that assess the alignment of a company's products and operations to the achievement of the United Nation's Sustainable Development Goals (SDGs) or the quality of their key stakeholder relationships.

Undergo ESG analysis
We have a proprietary ESG analysis system called START which transparently displays and consolidates material ESG metrics for each company, which is complemented with qualitative analysis. This process also helps us to meet SFDR's good governance requirements.

Are subject to good stewardship
Where companies have improvement areas, we engage with management and report publicly on our progress.

Feedback loop
Interactions between teams take place regularly to review the portfolio sustainability impacts, including the EU's principal adverse impact metrics, climate metrics, ESG ratings and portfolio and company monitoring. This helps keep the metrics as a persistent consideration within the investment process.

Portfolio climate targets
To help ensure our relevant Article 9 funds are working positively towards the Paris Agreement, they utilize a portfolio carbon target.

Selective exclusions
We utilize a carefully curated set of exclusions in areas of the economy or at a specific company level where there is significant harm.

WHY IS OUR APPROACH DIFFERENTIATED?

- **A rational and pragmatic approach**: In a world of greenwashing and grandiose ESG marketing, we are humble and realistic about our ESG strategy. At the heart of our approach is ensuring that we act in our clients' long-term interests, weaving ESG matters into our investment philosophy, portfolio construction, security selection and stewardship approach in a responsible manner. We are open to the fact that there is no such thing as a perfect company and often there are trade-offs within, and between, natural, social and financial capital.

- **A focus on data and outcomes, rather than ideology**: We have invested a significant amount in data and human resources to ensure that our approach to ESG is rooted in data and evidence so that we can focus on real-world outcomes and investment risks and opportunities. We leave politics to the politicians and focus on contributing positively to environmental and social outcomes while also seeking to deliver strong performance.
- **Portfolio manager (PM) collaboration, cultural buy-in and understanding of sustainability matters**: It is often the case that PM's and ESG teams operate in silos. This is not the case with our Article 9 funds where the sustainable investment team and the PMs portfolio managers work closely together in collaboration to ensure a true combination of PM fund manager expertise and sustainable investment considerations are weaved together.
- **Industry recognized expertise**: Our deep expertise means our prescriptions have been accepted by regulators on ESG frameworks, CEOs on sustainability strategy and technical accounting bodies on the measurement of ESG.
- **Portfolio manager (PM) collaboration, cultural buy-in and understanding of sustainability matters**: It is often the case that PM's and ESG teams operate in silos. This is not the case with our Article 9 funds where the sustainable investment team and the PMs work closely together in collaboration to ensure a true combination of PM expertise and sustainable investment considerations are weaved together.
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WHAT NEXT?

We have the following four convictions regarding Article 9 funds over the coming years:

- **A more thoughtful approach to traditionally frowned upon sectors and regions**: We believe there will be a slow acceptance that a selection of best-in-class companies within energy and mining on one hand, and utilities and emerging markets on the other hand, will become acceptable. In an increasingly volatile geo-political environment, alongside the need to secure significant volumes of metals and minerals for the energy transition, there is merit in these companies being part of the investable universe.
- **System stewardship**: As most clients have a diversified portfolio, systemic financial risks related to sustainability such as climate change and inequality will likely become more important for clients as well as idiosyncratic, single company engagements.
- **A greater requirement for evidence of sustainable outcomes**: While there has been a huge improvement in disclosures over the past two decades, aggregating this up to portfolio level metrics is still in its infancy. We think that innovation in creating uniform impact metrics between different industries will help solve this issue, alongside more consistent causal engagement reporting.
- **A better understanding and description of trade-offs**: Many ESG funds focus on "win-win" examples. However, we know that there are trade-offs between financial, natural and social capital. For instance, the short -term focus on energy transition capital spend is likely to be inflationary, causing upwards price pressure on everyone in society. As system level accounting matures, we expect these kinds of trade-offs will need to be better disclosed.

While we expect the above evolution of sustainable investment to emerge over the coming years, we are convinced that our Article 9 range as it stands can reliably meet our clients sustainable investment expectations.

[1]SFDR Article 8 and Article 9 Funds: Q4 2023 in Review: Morningstar 25 January 2024

[2]SFDR Article 8 and Article 9 Funds: Q4 2023 in Review: Morningstar 25 January 2024

[3]Vaneck Low Carbon Energy EFT

Carmignac Emergents

Grasping the most promising opportunities within the emerging universe

Carmignac Portfolio Grande Europe
A high conviction, sustainable European equity strategy

Carmignac Portfolio Grandchildren
An intergenerational Fund focused on quality, sustainable companies

CARMIGNAC EMERGENTS A EUR ACC

(ISIN: FR0010149302)

SFDR - Fund Classification** :

Article 9

LOWEST RISK — HIGHEST RISK

1	2	3	4*	5	6	7

Recommended minimum investment horizon: 5 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. **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. **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.

*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 : 1,50% 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 : 0,88% 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: FR0010149302)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Emergents	**+5.8 %**	**+5.2 %**	**+1.4 %**	**+18.8 %**	**-18.6 %**
Indicateur de référence	+11.4 %	-5.2 %	+14.5 %	+20.6 %	-10.3 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Emergents	**+24.7 %**	**+44.7 %**	**-10.7 %**	**-15.6 %**	**+9.5 %**
Indicateur de référence	+20.6 %	+8.5 %	+4.9 %	-14.9 %	+6.1 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Emergents	**+2.4 %**	**+7.2 %**	**+4.9 %**
Indicateur de référence	+1.7 %	+5.2 %	+5.3 %

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

CARMIGNAC PORTFOLIO GRANDCHILDREN A EUR ACC

(ISIN: LU1966631001)

SFDR - Fund Classification** :

Article 9

LOWEST RISK — HIGHEST RISK

1	2	3	4	5*	6	7

Recommended minimum investment horizon: 5 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. **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.

*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 : 1,70% 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 : 0,26% 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: LU1966631001)

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Grandchildren	**+15.5 %**	**+20.3 %**	**+28.4 %**	**-24.2 %**	**+23.0 %**
Indicateur de référence	+15.5 %	+6.3 %	+31.1 %	-12.8 %	+19.6 %

Annualised Performance	3 Years	5 Years	Since launch
Carmignac Portfolio Grandchildren	**+6.7 %**	**+12.6 %**	**+13.6 %**
Indicateur de référence	+10.5 %	+12.5 %	+13.6 %

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

CARMIGNAC PORTFOLIO GRANDE EUROPE A EUR ACC

(ISIN: LU0099161993)

SFDR - Fund Classification** :

Article 9

LOWEST RISK — HIGHEST RISK

1	2	3	4*	5	6	7

Recommended minimum investment horizon **5 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. **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.

*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 : 0,41% 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: LU0099161993)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Portfolio Grande Europe	**+10.3 %**	**-1.4 %**	**+5.1 %**	**+10.4 %**	**-9.6 %**
Indicateur de référence	+7.2 %	+9.6 %	+1.7 %	+10.6 %	-10.8 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Grande Europe	**+34.8 %**	**+14.5 %**	**+21.7 %**	**-21.1 %**	**+14.8 %**
Indicateur de référence	+26.8 %	-2.0 %	+24.9 %	-10.6 %	+15.8 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Grande Europe	**+3.9 %**	**+9.9 %**	**+7.5 %**
Indicateur de référence	+7.5 %	+8.5 %	+7.1 %

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