

# CARMIGNAC SÉCURITÉ : LETTER FROM THE FUND MANAGER

25/10/2021 | MARIE-ANNE ALLIER

In the third quarter of 2021, Carmignac Sécurité withstood the headwinds buffeting the fixed-income market, returning +0.14% compared to a negative performance of -0.08% for its reference indicator<sup>1</sup> (ICE BofA ML 1-3 years Euro All Government Index (EUR)). A flexible investment approach and cautious portfolio construction enabled us to take rising yields in our stride.

**+0.14%**

Carmignac Sécurité's performance in the 3<sup>rd</sup> quarter of 2021 for the A EUR Share class.

**-0.08%**

Reference indicator's performance in the 3<sup>rd</sup> quarter of 2021 for ICE BofA ML 1-3 years Euro All Government Index (EUR).

**+0.69%**

Performance of the Fund Year to date versus -0.44% for the reference indicator.

## QUARTERLY PERFORMANCE REVIEW

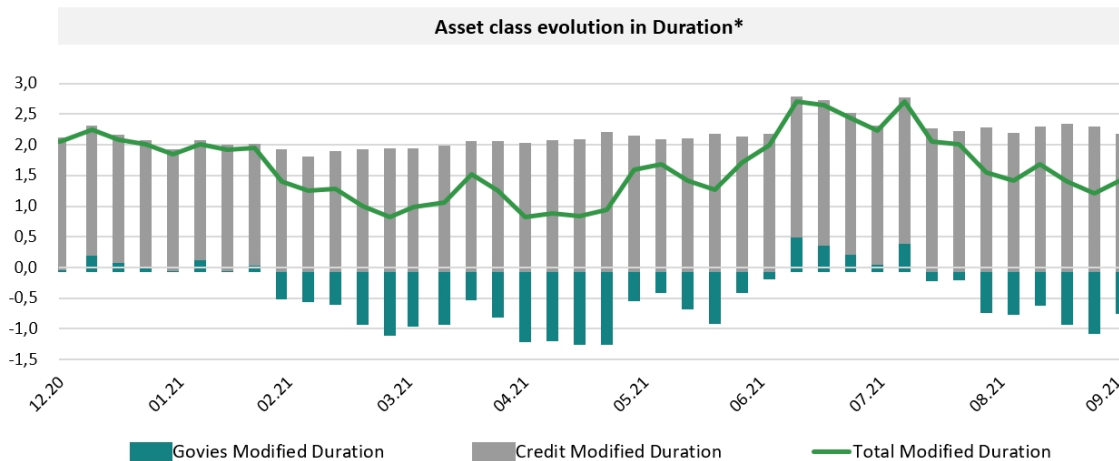
In the third quarter, the "restart the economy" trend gained further traction in the developed countries as they got better control over the pandemic. But it hasn't been entirely a smooth ride. Savings rates are abnormally high for an economy pulling out of a slump (a by-product of the unprecedented income support programmes instituted by governments), with the result that consumer spending has surged impressively. At the same time, more and more supply-chain bottlenecks have emerged, running the gamut from products like semiconductors (where shortages are holding back new car production) to labour supply, another unusual development as economies begin to recover.

These signs of dysfunction have been pushing prices so strongly upwards that developed-world inflation is back to levels that had become little more than a distant memory. **This in turn has compelled central banks – whose primary role is to achieve price stability – to maintain their highly dovish monetary policies even though Gross Domestic Product (GDP) growth and inflation would appear to call rather for policy tightening.** Their justification for doing so is that the current bout of inflation will be short-lived. The consumer spending binge will soon subside, they claim, supply chains will get back to normal and the base effects caused by lockdowns will eventually be over, leading to lower inflation within a year. The lessons from 2013 and 2018 – when asset purchases were scaled back and interest rates hiked too soon or too abruptly for the broader economy to be able to handle the shift – have made central bankers extremely cautious about withdrawing their current easy-money policies. Nominal yields barely budged over the third quarter (with 10-year paper trading at -0.20% in Germany and 0.83% in Italy), but higher inflation expectations drove real yields down to record lows (sending 10-year Bund yields close to -2%).<sup>2</sup>

The lessons from 2013 and 2018 have made central bankers extremely cautious about withdrawing their current easy-money policies

Apparently unruffled by the turmoil in China's property market and the potentially adverse impact of rising commodity prices, credit spreads likewise showed little change during the period. Investment-grade credit ended the third quarter with an average yield of 0.34%, meaning roughly on par with where it stood three months earlier. Subordinated bank bonds once again brought us positive returns this past quarter. Spreads narrowed slightly, meaning we were able to record capital gains in addition to the substantial returns from our carry strategy.

## HOW IS THE FUND POSITIONED?



*Source : Carmignac, 30/09/2021\*Include derivatives*

We made no major changes to our credit exposure during the period. **The Fund has a high allocation to corporate bonds with maturities of under 7 years (a segment with sufficient carry and only limited duration risk).** Nor did we reshuffle our holdings of Collateralised Loan Obligations (CLOs) after the purchases we made in the second quarter.

**While the third quarter saw very little change in our corporate bond portfolio, we did take major steps to manage our modified duration.** We started out by raising it in the first half of July from 1.6 to nearly 2.7 years. We did so by dialling down our sell positions on UK debt and increasing our holdings of “semi-core” eurozone government bonds. Next, we changed tack and reduced the portfolio’s duration by gradually exiting our positions in Italian government paper. Discussions on the planned end to the ECB’s Pandemic Emergency Purchase Programme (PEPP), which is likely to occur in March 2022, could weaken the eurozone’s more indebted members, as they are currently helped more by the central bank’s regular bond purchases than by negative real interest rates. On similar grounds, we reduced our exposure to Romanian debt in early August. This shift to lower duration by offloading Italian and subsequently “core” government bonds (US, UK and French) continued until the close of the quarter. **By end-September, our exposure to Italian debt was close to 0 and the portfolio’s overall modified duration was back to 1.3, which was slightly lower than at end-June.**

## WHAT IS OUR OUTLOOK FOR THE COMING MONTHS?

It is still far from clear how central banks will respond to the current inflationary pressure. Though they seem convinced that the problem will be temporary and underscore the threat to economic recovery created by supply shortages, any sign of more persistent inflation could hasten the break with the current super-cycle of loose central-bank policy. And as rising uncertainty and cyclical transitions tend to cause volatility in financial markets, **managing Carmignac Sécurité will still require considerable flexibility in the months to come.** We have accordingly boosted our cash holdings to nearly 9% of the portfolio. We have also gained exposure to the eurozone inflation theme by buying 10-year inflation-linked bonds and swaps on the 5-year segment. **This affords us inexpensive hedges in the event of a spike in inflation that would prove harmful to our credit portfolio.** Lastly, we have credit protection via a basket of CDSs that account for 5% of the Fund's assets.

<sup>1</sup>Reference indicator: ICE BofA 1-3 Year All Euro Government Index (coupons reinvested).

<sup>2</sup>Source: Carmignac, Bloomberg as of 30/09/2021. Performance of the A EUR acc share class.

Until 31 December 2020, the reference indicator was the Euro MTS 1-3 years. Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. Performance of the A EUR acc share class. 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 SÉCURITÉ AW EUR ACC

(ISIN: FR0010149120)

SFDR - Fund Classification\*\* :

Article **8**



Recommended minimum investment horizon



### MAIN RISKS OF THE FUND

**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. **RISK OF CAPITAL LOSS:** The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase. **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>.

PERFORMANCE (ISIN: FR0010149120)

Calendar Year Performance (as %)	2015	2016	2017	2018	2019
<b>Carmignac Sécurité</b>	+1.1 %	+2.1 %	+0.0 %	-3.0 %	+3.6 %
Indicateur de référence	+0.7 %	+0.3 %	-0.4 %	-0.3 %	+0.1 %

Calendar Year Performance (as %)	2020	2021	2022	2023	2024
<b>Carmignac Sécurité</b>	+2.0 %	+0.2 %	-4.8 %	+4.1 %	+5.3 %
Indicateur de référence	-0.2 %	-0.7 %	-4.8 %	+3.4 %	+3.2 %

Annualised Performance	3 Years	5 Years	10 Years
<b>Carmignac Sécurité</b>	+1.4 %	+1.3 %	+1.0 %
Indicateur de référence	+0.5 %	+0.1 %	+0.1 %

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.**

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA.

The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

The Funds' prospectus, KIDs, NAVs and annual reports are available at [www.carmignac.com](http://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.

- **In France, Luxembourg, Sweden:** The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at [www.carmignac.com](http://www.carmignac.com), or upon request to the Management Company.
- **In the United Kingdom:** the Funds' respective prospectuses, KIIDs and annual reports are available at [www.carmignac.co.uk](http://www.carmignac.co.uk), or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.
- **In Switzerland:** the prospectus, KIDs and annual report are available at [www.carmignac.ch](http://www.carmignac.ch), or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

The Management Company can cease promotion in your country anytime.

Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).