

WHAT KIND OF INVESTMENT ARE WE LOOKING FOR IN EUROPEAN EQUITIES?

by Malte HEININGER
Fund Manager
18.07.2018

Within our European Funds, we look for strong business models to invest in, companies with strong fundamentals. We will not go into our investment process in detail, but we will try to illustrate it by running through what we think are some strong investment cases, highlighting two interesting stock examples. As believers in high-conviction investment management, we certainly do not follow reference indicators and we are really looking to invest to win, rather than invest not to lose. This is also supported by a very strong risk management background here at Carmignac.



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One name that we have recently added to our European portfolios is ASOS, a leading online apparel retailer in Europe. From a big-picture point of view, it operates in a huge addressable market, the global apparel market, which is still underpenetrated on the online side. In addition, the company's products are highly appreciated by clients, there is a huge assortment to choose from, their delivery times are fast, and the shopping experience is very qualitative. ASOS also has a strong management team and a great track record of development, starting in the UK, rolling out across Europe, and now entering the United States. Finally, in terms of numbers, the economics work¹.

Puma is another strong conviction. Although it is the number-three global sports brand and has very high brand recognition globally, it only has a 2% market share, far behind Nike and Adidas. After being a high-flying

company in the early 2000s, Puma has gone through a difficult period, notably due to a few unsuccessful management changes, so the margin went down to low single-digits and their growth in between was negative. However, in the last two and a half years, Puma has invested a lot into the brand and the performance heritage, and that shift has borne fruit: last quarter, they reported 22% organic growth with increasing margins. The brand is back to its origins on the performance side, and is now entering the US market for basketball products².

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- [Carmignac Portfolio Grande Europe](#)
- [Carmignac Euro-Entrepreneurs](#) and [Carmignac Portfolio Euro-Entrepreneurs](#)
- [Carmignac Long-Short European Equities](#) and [Carmignac Portfolio Long-Short European Equities](#)

(1) Asos Investor Relations, 2018. (2) Business Insider, Wedbush Securities Estimates, 2018; Euromonitor, 2017, Puma Investors Relations, 2018.

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