Carmignac Patrimoine: Q2 2020 overview

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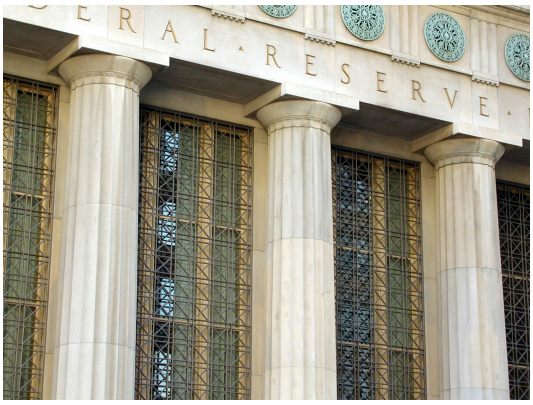
Carmignac Patrimoine gained +8.76% in the second quarter of 2020, taking its full-year return to +1.99%. Our equity portfolio accounted for +3.60% of the quarterly total, while our bond portfolio reduced our overall performance by -1.61%.[1]

What happened?

The handling of the Covid-19 pandemic triggered the greatest shock to growth ever recorded. After contracting by nearly 16% in the first quarter, the global economy appears to be recovering – thanks to life support for consumer spending.



The speed, scope and form of the authorities' response to the emergency were truly unprecedented. Central banks and governments took concerted action to ensure that enough money would continue to flow to economic agents – businesses and households – to keep them going and to regulate the debt financing of economic activity via the financial markets and banking system.

The rally in financial assets currently under way flies in the face of what are still patchy economic fundamentals and a most uncertain outlook.

How did we manage the Fund?

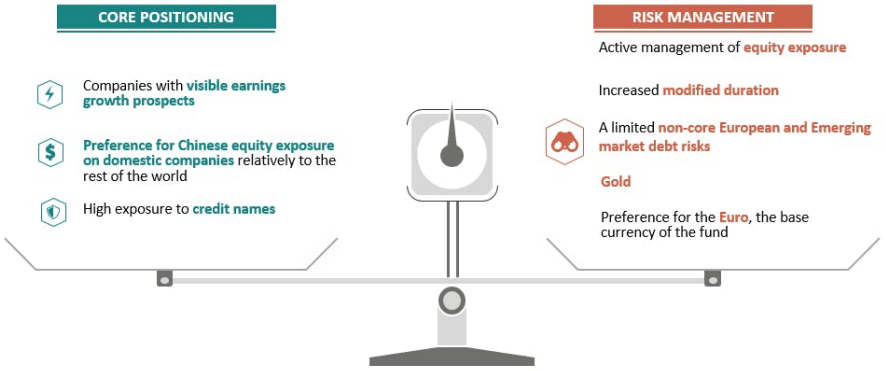
> Our asset allocation gave us the agility we needed to get through the period, and we feel reasonably upbeat as we enter the second half of the year.

The crisis we are experiencing is accelerating a number of major underlying trends: **digital transformation**, with all the disruptions it may entail; an **increasingly decarbonized economy**, with non-financial criteria forming an integral part of how businesses are analysed; and perhaps for the first time, a **big political step forward in Europe**.

Those meaningful advances have driven our core equity allocation themes, from **tech stocks** selected from around the world – in the US, Europe and China – to **healthcare stocks**. Just when it looked like central banks had run out of ammunition, they pivoted swiftly to a degree of cooperation with governments that was previously unheard-of, or even taboo. This barely disguised monetisation of debt has given gold an enduring presence in our equity portfolio and enabled us to balance our risks.

The corporate credit market was hit with a solvency shock – amplified by a liquidity shock – that impacted our performance. In response, **we began in March to seize on emerging opportunities to strengthen our allocation, building up a carry portfolio we believe will boost our returns in the next few quarters**. We have increased that allocation with three basic themes in mind: quality issuers hurt by unfair spreads since the coronavirus struck, subordinated bank bonds, and those segments of the tourism industry that find themselves at the epicentre of the pandemic. We financed that larger allocation by rebalancing our holdings of sovereign bonds, which have become less attractive.

Carmignac Patrimoine: A Fine Balance of Opposing Forces



Sources: Carmignac, 30/06/2020.
The portfolio composition may change anytime

Our asset allocation thus reflects a fairly constructive take on market trends in the months to come. The outlook for the virus shows signs of improving, monetary and fiscal policies are providing extraordinary support for the economy and investors are still basically playing it safe.

We combine an equity portfolio heavily invested in secular growth companies (described in our Carmignac Investissement report), **an allocation to gold stocks, coupled with a yield-oriented fixed-income portfolio centred on carefully chosen names whose solvency risk has been amply assessed**.

Our US dollar currency risk is adequately hedged.

Discover the Fund's webpage:

Carmignac Patrimoine

	2015	2016	2017	2018	2019	2020 (YTD)
Carmignac Patrimoine A EUR Acc	+0.72%	+3.88%	+0.09%	-11.29%	+10.55%	+1.99%
Reference Indicator*	+8.35%	+8.05%	+1.47%	-0.07%	+18.18%	-0.14%

	3 years	5 years	10 years
Carmignac Patrimoine A EUR Acc	-0.32 %	-0.31 %	+2.07 %
Reference Indicator*	+6.22 %	+5.37 %	+6.70 %

Source: Bloomberg, Carmignac, 30/06/2020. 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).*Reference indicator: 50% MSCI AC World NR (USD) (net dividends reinvested), 50% Citigroup WGBI All Maturities (EUR). Quarterly rebalanced. From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested.

Carmignac Patrimoine

Main risks of the Fund

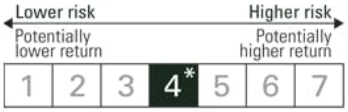
EQUITY: The Fund may be affected by stock price variations, the scale of which is dependent on external factors, stock trading volumes or market capitalization.

INTEREST RATE: Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

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

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 KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. A EUR Acc share class ISIN code: FR0010135103.

Source: Bloomberg, Carmignac, 30/06/2020.

[1] 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). Reference indicator: 50% MSCI AC World NR (USD) (net dividends reinvested), 50% Citigroup WGBI All Maturities (EUR). Quarterly rebalanced. From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested.

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