



Carmignac Patrimoine: the Fund Manager's thought

Author(s)

Rose Ouahba, David Older

Published

October 30, 2020

Len



Carmignac Patrimoine A EUR share class posted +4.8% vs +0.9% for the reference indicator¹ and -2.9% for its Morningstar category².

The handling of the Covid-19 pandemic triggered a substantial shock to growth. After contracting in the second quarter, the global economy recovered in the third – thanks to life support for consumer spending.

Indeed, 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. However, the rally in financial assets currently under way is highly dependent on monetary and fiscal support flies in the face of what are still patchy economic fundamentals and a most uncertain outlook.

Our experience in managing previous market crises was useful. This time again, like in 2000, in 2008 and 2011, the first imperative was to rapidly take the full measure of the risk, and act on it. The globalization of the epidemic was a clear possibility in our mind. However, our judgement was that, whereas healthcare systems in Europe and the US were certainly not prepared for the pandemic, policy makers were prepared to deal with a market crisis.

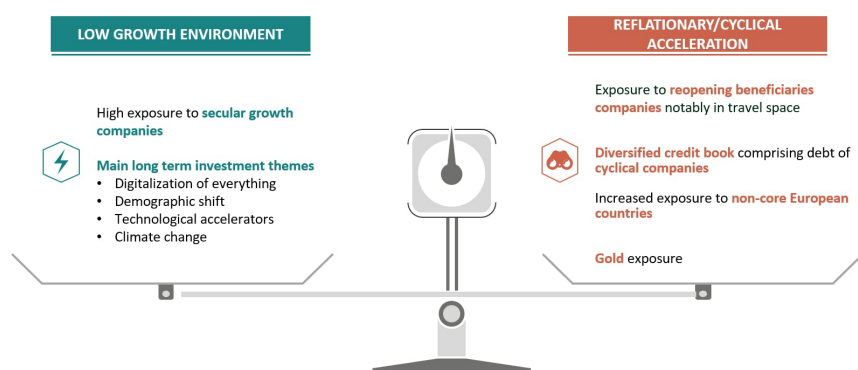
Our highly flexible asset allocation gave us the agility we needed to get through the period.

Indeed, a solid portfolio construction and good risk management during the crisis allowed us to re-expose the Fund to take advantage of market dislocation and profit from the rebound that followed.

On the equity front, our allocation bias for secular growth stocks were the largest contributors to performance, thanks to both their resilience in down markets and sharp rebound in the aftermath. The former can be attributed to their low correlation to economic activity while the latter notably stems for the flight to growth that took place. Indeed, the crisis we are experiencing has accelerated several major underlying trends including digitization and ecommerce. Finally, the combination of loose monetary and fiscal policies led us to build up a position in goldmines to hedge against a risk of higher inflation expectations, that turned out to be very profitable.

On the fixed income front, we limited losses in the drawdown by quickly cutting our exposure to peripheral bonds and Emerging market debt while increasing our cash holdings. Furthermore, the third quarter brought back happy days to corporate credit in the form of rising yields and capital gains made possible by narrowing interest-rate differentials. We believe this segment still offers a great deal of value.

Carmignac Patrimoine - A Balanced Portfolio



Source: Carmignac, 30/09/2020
The portfolio composition may change anytime

Two scenarios are basically shaping up. On one hand, the shutdown of activities and slow reopening has made the economy more sluggish than ever; on the other, both Central banks and governments are providing an unprecedented support, while a vaccine could be found in the coming months, opening the door for higher inflation expectations and positive economic surprises.

We are therefore keeping on one side our focus on secular growth companies albeit we've taken profit on some of our biggest contributors. Slow growth means it is becoming increasingly hard for companies to become or stay profitable, not to mention the shock many of them have suffered from with the economic pause. Conversely, secular growers -companies that perform regardless of the overall health of the economy- are seeing increased interest from investors. Also, Central banks' loose policies are intended to keep rates low for longer, which could sustain current valuation. A lot of them can be found in the technology sector or in healthcare, an ever-evolving industry. Finally, we have selectively signed up to some IPOs, which had the busiest quarter since 2000 in volume terms.

On the other side, **we have adjusted the portfolio to take into account this liquidity-driven environment and positive news flow that could benefit cyclical assets.** We are notably playing this thematic via the travel industry, that has suffered a lot from the crisis but benefit from reopening economies. We nevertheless optimize such exposure across the capital structure as such companies are not necessarily attractive in terms of both equity and debt. For example, Airline companies are asset heavy and leveraged, denting on their current and future profitability, and making them unattractive for equity investors. However, their high tangible assets (namely planes) act as collaterals for the cash they are raising, making them attractive for creditors.

As a hedge against a rise in inflation expectations, we hold exposure to goldmines. We are also maintaining our exposure to non-core sovereign debt, supported by coordinated action of governments in the region. We have nevertheless taken profit on our Italian debt as regional elections are coming up.

Discover the Fund's webpage:

Carmignac Patrimoine

¹ Reference indicator: 50% MSCI AC World NR (USD) (net dividends reinvested), 50% Citigroup WGBI All Maturities (EUR). Quarterly rebalanced.

² Morningstar Category: EUR Moderate Allocation - Global. Source: Carmignac, 30/09/2020. Annualized performance as of 30/09/2020. **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).** © 2020 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. From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. A EUR Acc share class ISIN code: FR0010135103. Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Carmignac Patrimoine E EUR Acc

ISIN: FR0010306142

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.

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.

This document is intended for professional clients. This is an advertising document. This document may not be reproduced, in whole or in part, without prior authorisation from the management company. This document does not constitute a subscription offer, nor does it constitute investment advice. The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in French, English, German, Dutch, Spanish, Italian on the following link: https://www.carmignac.com/en_US. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The Funds are common funds in contractual form (FCP) conforming to the UCITS Directive under French law. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. The French investment funds (fonds commun de placement or FCP) are common funds in contractual form (FCP) conforming to the UCITS Directive under French law. 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. Access to the Fund may be subject to restrictions with regard to certain persons or countries. The Fund is not registered in North America, in South America, in Asia nor is it registered in Japan. The Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Fund has not been registered under the US Securities Act of 1933. The Fund 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/or FATCA. The Fund presents a risk of loss of capital. The risks and fees are described in the KIID (Key Investor Information Document). The Fund's prospectus, KIIDs and annual reports are available at www.carmignac.com, or upon request to the Management Company. The KIID must be made available to the subscriber prior to subscription. - In Switzerland, the Fund's respective prospectuses, KIIDs and annual reports are available at 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, Paris, succursale de Nyon/Suisse, Route de Signy 35, 1260 Nyon. - In the United Kingdom, the Funds' respective prospectuses, KIIDs and annual reports are available at 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 material was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013). - In Spain: Carmignac Patrimoine is registered with Comisión Nacional del Mercado de Valores de España (CNMV) under number 386, Carmignac Investissement under number 385, Carmignac Sécurité under number 395, Carmignac Emergents under number 387 and Carmignac Portfolio under number 392.