

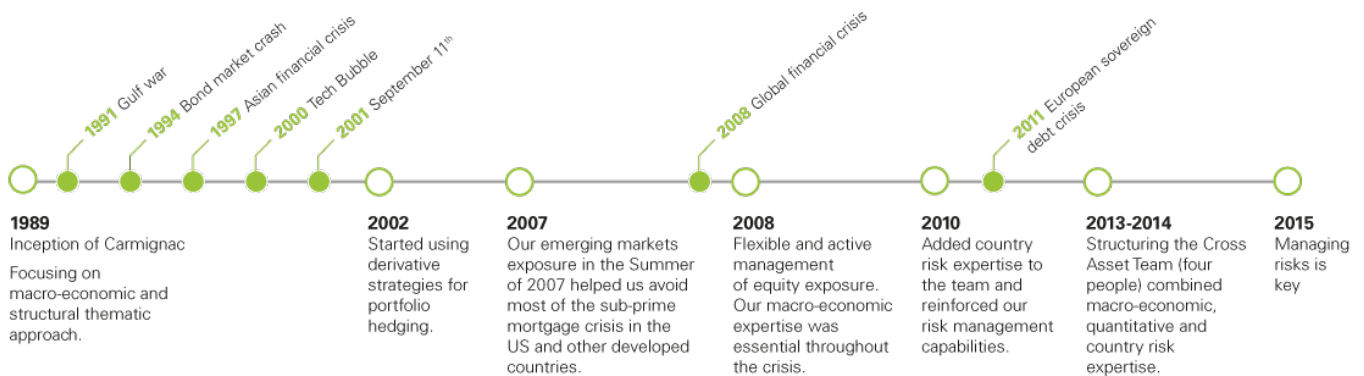
### III. CARMIGNAC PATRIMOINE - THE HEART

Risk Management is key.

12.02.2017

## Risk Management is the key component of our DNA

The ability to manage market risks effectively has been a cornerstone of Carmignac's investment style for many years. This capability, built up over the years, was put to the test on a large scale for the first time in 2002 and then again on multiple occasions including in 2008 when Carmignac Patrimoine\* managed to mitigate the risk of its customers' capital throughout highly turbulent markets. The development of risk analysis, risk control and risk management tools over the years means that Carmignac's fund managers, have an effective toolkit to carry out their work.



## Our risk management philosophy within Carmignac Portfolio Patrimoine

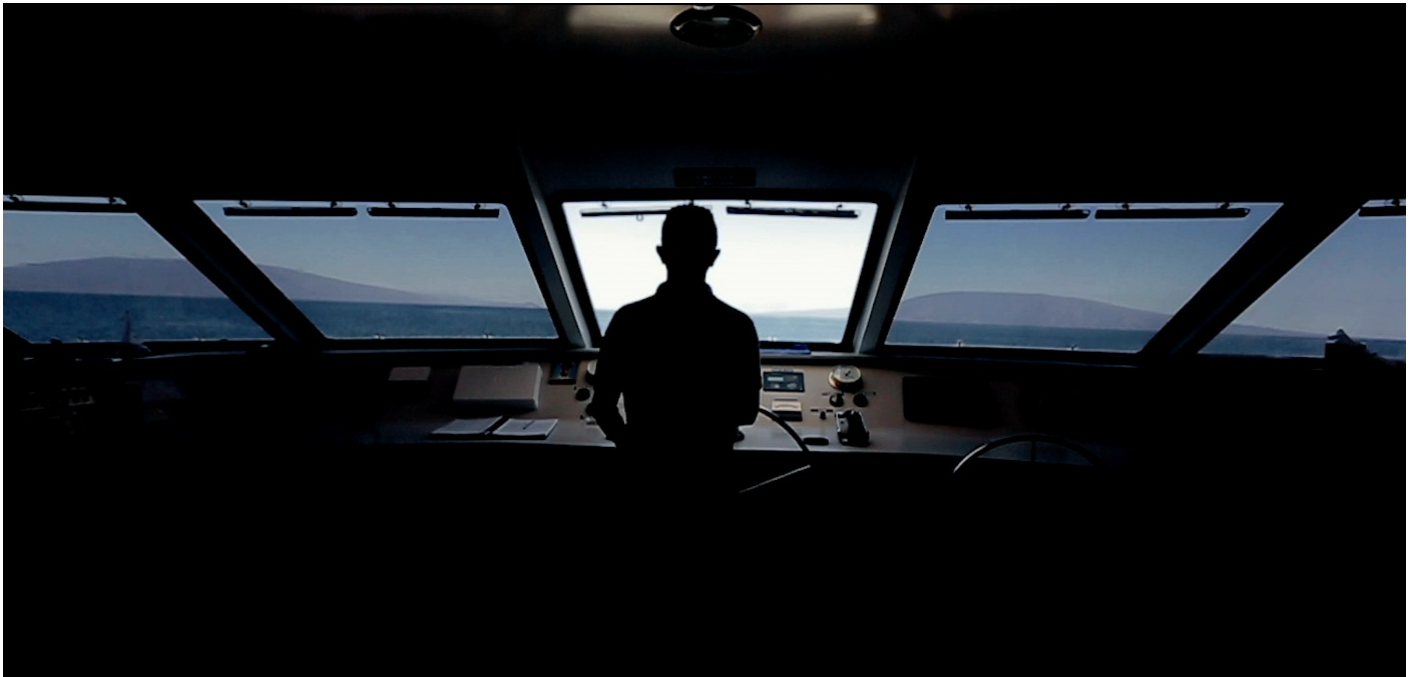
The management of market risk is as essential as it is complex. A classical error would be to give such high priority to the reduction of short term volatility that long term opportunities would be overlooked. Adequate risk management aims to maintain intact long term performance drivers and decide to temporarily shelter them or not according to evolutions of the risk curve.

This has been our management philosophy for more than 25 years.

Portfolio construction implies identifying the appropriate investment style for each market environment

according to the position in the global investment cycle. Portfolio construction consists also in testing its robustness through ongoing simulations and stress scenarios. Investing in companies that are flexible themselves i.e. generating cash, solid balance sheet is also part of risk management through stock selection.

Then, according to the risk asymmetry and potential market weaknesses, we actively manage the directional risk through equity, interest rates and currency levels. Our knowledge of derivative instruments allows us to efficiently implement hedging decisions. These insurance policies may come at an opportunity or explicit cost but become a major contributor to the performance when the risk we have identified materialises.



Risk management often requires procedures that are simple in nature, but whose technical implementation is a key success factor. Examples include optimal management of long/short positions to generate alpha with little market risk, barbell positions (balance between high potential but volatile convictions and low-return but very stable assets), highly decorrelated assets, relative strategies on different segments of the yield curve or currency diversification strategies amongst others.

\*To remember: Launched in 1989, Carmignac Patrimoine is the original fund of the Patrimoine strategy. In 2013, we launched Carmignac Portfolio Patrimoine, a sub-fund of the Luxembourg Carmignac Portfolio SICAV. This fund was created for international investors to benefit from the Patrimoine strategy and meet their fiscal requirements. Carmignac Patrimoine and Carmignac Portfolio Patrimoine share the same investment strategy, portfolio construction and the same management process. Carmignac Patrimoine is not registered in Taiwan.

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