

Carmignac Patrimoine : Letter from the Fund Managers

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Carmignac Patrimoine lost -2.09% in the third quarter of 2021, below the +1.22% of its reference indicator¹, bringing the fund's performance to +1.31% year-to-date versus +8.14% for the reference indicator.

-2.09%

Carmignac Patrimoine's performance
in the 3rd quarter of 2021
for the A EUR Share class

+1.22%

Reference indicator performance
in the 3rd quarter of 2021

Quarterly Performance Review

Markets proved quite variable over the third quarter, with mixed performance overall. In the wake of rising inflationary pressures and the perspective of a slowing pace of growth, markets derailed from their upward trajectory in September. Worries on inflation and a potential inflection in monetary policy fueled a rise in US rates, as well as dollar appreciation. This dynamic also weighed on developed equity markets after a nice rebound supported by strong Q2 earnings season. Finally, the Chinese markets sold-off, triggered by the government's announcements on stiffer regulation across markets.

Over the quarter, the Fund maintained an exposure to risky assets. While our equity allocation mainly focuses on secular growth, our credit exposure is tilted towards more cyclical sectors like energy and financials. Our stock picking fared relatively well in the US, with names like Salesforce, Netflix and Alphabet recording healthy gains. On the credit side, our bond picking proved also quite rewarding. This, however, did not prevent the Fund from recording a negative performance, driven by our Chinese equity exposure built around secular growth companies. The news flow over the recent months has negatively impacted investor's sentiment as the Chinese government is working on establishing clearer regulations affecting various sectors and especially tech. On the top of these regulatory measures, a potential default of Evergrande, a large Chinese property developer, raised fears about potential additional spill over effects. All this considerably weighed on Chinese equities over the quarter. To counterbalance this exposure to risky assets, we used our flexibility to mitigate the impact of rising rates in September via our short positions on US rates. However, our cautious approach on equity exposure weighed on the Fund's performance over the period.

Outlook & Positioning

For the coming months, we should expect a slower economic growth accompanied by rising inflation expectations – that would make it exceedingly hard to arrive at an optimal monetary policy. The main risk of this scenario will be for fixed income markets. While we prefer to maintain a low, or even negative duration to core rates (mostly US & Germany), we balance out this cautiousness with a carry bucket focused on a selection of high yielding assets in emerging markets and credit. These selected assets should resist well in a scenario of rising inflationary pressures as they tend to be better protected thanks to shorter durations and higher coupons. In addition, we focus on situations that tend to profit from inflationary pressures, notably energy and commodities credit. Our exposure to sovereign rates is limited to some selected emerging markets debt like South Korea where hikes have been repriced too high considering the downside risks to medium-term growth. With regard to the equity markets, as interest rates might move higher at a time where growth is actually slowing, companies which are less dependent on the cycle and enjoy pricing power are expected to fare better than the rest of the market. The rest of them are likely to suffer from both lesser activity and margin contraction. This strategy does not prevent to pay particular attention to valuations that at some point could be under pressure. Our portfolio remains built around core thematic 1) the new consumer (14%), with ecommerce players like China's **JD.com** and **Amazon**, sportswear brands **Lululemon** and **Puma** as well as luxury company **Hermes** 2) the digital economy (14%), with fintech names like **Square** and **Affirm**, as well as transport and meal delivery platform **Uber** 3) advanced healthcare (7%), with names like China's **Wuxi Biologics** and the American health provider **Anthem**, and 4) climate change (3%) with Korean battery producer **LG Chem** and US residential solar provider **SunRun**.

Finally, regarding China, clearer regulation for big companies should be long term constructive for Chinese markets as it will provide investors more visibility on business models and improve corporate governance standards. However, selectivity prevails. On equity, we mostly focus on segments where a negative scenario has been priced in that we feel is not justified, and those where we see minimal government risk or outright government support (Chinese champions – drug development, green transition). However, in order to reduce the risk of the overall portfolio, we took some profits on our sovereign bonds of the region as the government might support the economy through issuing more debt, rather than through more accommodating monetary policy.

Overall, we adopt a robust portfolio construction characterized by a balanced exposure between risky assets (40% of equity exposure and 29% of credit as of 30/09/2021), active management of duration (around 0) and high level of cash (17%).

Carmignac Patrimoine

Looking for best asset allocation in all market conditions

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Carmignac Patrimoine A EUR Acc

ISIN: FR0010135103

	2016	2017	2018	2019	2020	2021 (YTD)
Carmignac Patrimoine A EUR Acc	+3.88 %	+0.09 %	-11.29 %	+10.55 %	+12.40 %	+2.52 %
Reference Indicator	+8.05 %	+1.47 %	-0.07 %	+18.18 %	+5.18 %	+10.84 %

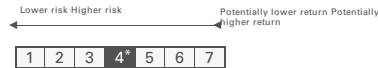
	3 years	5 years	10 years
Carmignac Patrimoine A EUR Acc	+7.45 %	+2.92 %	+3.87 %
Reference Indicator	+10.49 %	+7.50 %	+8.27 %

Source : Carmignac at 29/10/2021

Carmignac Patrimoine A EUR Acc

ISIN: FR0010135103

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.

¹ Reference indicator: 50% MSCI ACWI (USD) (Reinvested net dividends) + 50% ICE BofA Global Government Index (USD).

² 23/01/2019

³ EUR Moderate Allocation - Global

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