



Carmignac Portfolio Emergents : Letter from the Fund Managers

Published
May 3, 2023

Length
🕒 6 minute(s) read

+20%

Relative performance of Carmignac Portfolio Emergents F EUR Acc over 5 years

vs its reference indicator MSCI Emerging Markets NR Index¹.

1st

quartile within its Morningstar category

Carmignac P. Emergents is ranked 1st quartile within its Morningstar category (Global EM Equity) for its return, Sortino and Information ratio over 3 and 5 years.

100%

of the Fund's equity investments have a positive impact on the environment and/or society

(excluding cash) through the products and services they produce (measured with the alignment to UN Sustainable Development Goals)².

Carmignac Portfolio Emergents¹ was up 5.00% in the first quarter of 2023, against a 2.10% increase in its reference indicator³. This gain came against a backdrop of further underperformance by emerging-market equities, which are still being dragged down by US-China tensions and high interest rates.

Overview of Q1 2023

Our portfolio benefitted from the rebound in tech stocks during the quarter. Two of our holdings did particularly well: **Sea Ltd** and **MercadoLibre**, leading online retailers in southeast Asia and Latin America, respectively. Our underweight position in India (7.0% of the Fund's assets, vs 13.3% of the reference indicator) also lifted our return. We had scaled back our exposure to Indian stocks after their solid run in 2022, since their valuations had become stretched in our view, and instead invested in more attractive markets and sectors like South Korea and semiconductors. Another contributor to Q1 performance was our exposure to commodities-exporting countries. We had rotated our portfolio away from the Middle East and towards Latin America; Mexico (5.5% of the Fund's assets) was the best-performing large emerging market in Q1, thanks primarily to nearshoring, or the trend by multinational companies to build production plants in Mexico so that goods can be exported more readily to the US. Middle Eastern stocks (0% of the Fund's assets, vs 7.6% of the reference indicator) put in a disappointing quarter, which similarly reflected stretched valuations in the wake of the invasion of Ukraine.

China's reopening

The main event of the first three months of the year was China's reopening after the government announced a U-turn on its zero-Covid policy in November 2022. That initially caused the disease to spread rapidly, which created chaos in the country's hospitals in December but also allowed people living in large cities to quickly build up herd immunity. Then in January the government lifted almost all restrictions on people's movement, kick-starting the country's economy and especially its services sector. Our Fund management team was able to travel to China in early March; we visited Hong Kong, Beijing, and several smaller cities in order to get a better feel for the societal changes under way and the dynamics of the country's economy as a whole. We came away from the trip slightly less optimistic about China's GDP growth potential, given the disastrous state of its property market and the very low consumer confidence following Beijing's poor handling of the pandemic. We nevertheless built up our holdings in Chinese equities, as we believe they're in for a good year. Corporate earnings are expected to grow at an annual rate of roughly 20% for the next two years⁴. China isn't experiencing the same inflationary pressure as the developed world and its jobs market currently lies in employers' favour. What's more, China's central bank is injecting liquidity into the system and lowering interest rates, at a time when stock prices have been driven down by years of underperformance.



Positioning as of 31/03/2023

We added a new Chinese company to our portfolio: **Meituan**, the country's leading consumer services company with two main business lines: home delivery and retail services. Meituan has a dominant market share in both these businesses and forms a duopoly with Alibaba in the former and ByteDance – TikTok's parent company – in the latter. Meituan was impacted by Beijing's regulatory crackdown on tech companies in 2021–2022, but that crackdown is now over and Meituan stands to benefit from the reopening of China's economy.

In Brazil, we sold our stake in B3 – an operator of stock, bond, and derivative exchanges in the country. Like most exchange operators, B3 has a de facto monopoly in its market, but Brazil's central bank has said it wants to promote competition, suggesting the company's earnings could come under pressure. We invested the proceeds from the sale of B3 in **Equatorial**, a new addition to our portfolio. Equatorial has power distribution agreements in several Brazilian states and has recently diversified into sanitation services, where the yields on concession agreements offer sizeable spreads over the yields on sovereign bonds. Our exposure to Brazil's utilities sector now amounts to 7.0% of the Fund's assets (as of 31 March 2023). The real yield on Brazilian sovereign bonds is over 6%, and these utilities companies offer spreads of more than 6 percentage points on average – and even 9 points for **Eletrobras** owing to the associated political risk⁵.

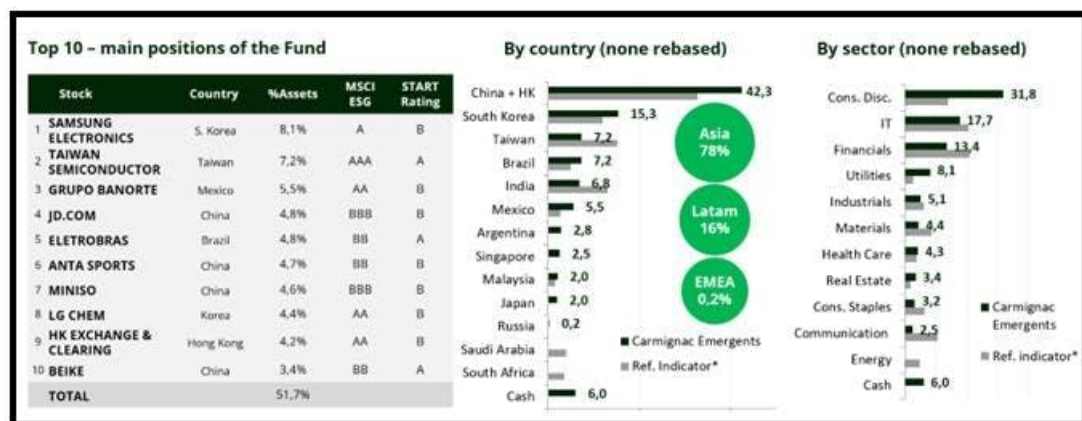
We now have a highly concentrated portfolio with 35 holdings, and the ten biggest holdings make up 51.3% of the Fund's assets. This high concentration reflects our heightened focus on our strongest convictions in a market climate that's more uncertain than ever. We believe the high quality of our portfolio companies' balance sheets protects us against further rises in interest rates. For instance, seven of our ten biggest holdings have a net cash position, and the only bank on that list – **Grupo Banorte** (Mexico) – has a 22.9% capital adequacy ratio.⁶

Sources : Carmignac, Bloomberg, FactSet, BoAML, EM Advisors Group, company data, as of 31/03/2023

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. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.



Positioning as of 31/03/2023⁷



¹Carmignac Portfolio Emergents F EUR Acc (ISIN : LU0992626480). Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Performances are net of fees (excluding possible entrance fees charged by the distributor). Performance in euros as of 31/03/2023

²Sources: Carmignac FactSet, as of 31/03/2023

³Reference indicator: MSCI EM (USD) (Reinvested net dividends)

⁴Sources : Bloomberg, BoAML Research, market consensus data as of 31/03/2023

⁵Sources : Bloomberg, BoAML Research, company data as of 31/03/2023

⁶Sources : Bloomberg, company data as of 31/03/2023

⁷The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete. For more information, please refer to our website.

Sources : Carmignac, Bloomberg, FactSet, BoAML, EM Advisors Group, company data, as of 31/03/2023

Carmignac Portfolio Emergents

Grasping the most promising opportunities within the emerging universe

[Discover the fund page](#)

Carmignac Portfolio Emergents F EUR Acc

ISIN: LU0992626480

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.

EMERGING MARKETS: Operating conditions and supervision in "emerging" markets may deviate from the standards prevailing on the large international exchanges and have an impact on prices of listed instruments in which the Fund may invest.

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.

DISCRETIONARY MANAGEMENT: Anticipations of financial market changes made by the Management Company have a direct effect on the Fund's performance, which depends on the stocks selected.

The Fund presents a risk of loss of capital.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor). The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

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. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © 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.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds 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 FATCA. The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management Company. Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com, or upon request to the Management Company.

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 document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.

In Switzerland: the prospectus, KIDs and annual report 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, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).

