



Carmignac Portfolio Family Governed: Letter from the Fund Manager

Author(s)
Mark Denham, Obe Ejikeme

Published
February 2, 2023

Len


+1.24%

Carmignac Portfolio
Family Governed's
performance
in the 4th quarter of 2022
for the A EUR Share class

+0.75%

Reference indicator's
performance
in the 4th quarter of 2022
for MSCI ACWI (EUR)

-18.60%

Performance of the Fund
Year
to date versus -13.01% for
the reference indicator

In the fourth quarter of 2021, **Carmignac Portfolio Family Governed** gained +1.24%, while its reference indicator¹ was up +0.75%. The Fund posted a performance of -18.60% over the year, compared to -13.01% for its reference indicator.

Quarterly performance review

Global equity markets enjoyed a modest positive return in the fourth quarter, catalysed by expectations that headline inflation in the US would ease, allowing the Federal reserve to slow the rate of future interest rate rises. Rate increases have been the largest headwind for markets and for our fund in particular this year. The hope of slowing inflation was confirmed with November data in the US, even if in Europe the rate remains high at c10%. In addition, the apparent relaxing of anti-covid restrictions in China also improved sentiment. While these factors are supportive, the extent of any slowdown in economic growth and corporate profit growth in 2023 remains a large unknown.

Stock selection was the key contributor to our positive return in the period set against a headwind from the sectoral composition of the market. The best sectors year to date, namely Energy, Financials and Commodities continued to lead despite some change in the macroeconomic backdrop. These are sectors where we find few examples of well managed family businesses with strong financial credentials. Happily, our stocks among less in-favour sectors more than offset this.

How is the fund positioned?

The consumer stocks in the fund performed particularly well. Hermes the luxury goods company saw its stock rise 19% in the period, driven by continued strong results for the prior quarter with strong double-digit demand in all regions including some recovery in China, where news of lifting covid restrictions in the fourth quarter helped buoy the name further. Sodexo was also a strong consumer name rising 18% as quarterly results continued to show the company emerging successfully from the covid related lockdowns with strong organic growth and recovering profit margins. It is particularly encouraging to see strong results for the firm after a period of management change including the appointment of Sophie Bellon as Chair and CEO, an increasingly unusual structure among French companies and one we have been engaging with the company over. Estee Lauder rose 5% on optimism over easing lockdowns in Greater China, despite disappointing Q3 results which showed material impact up to that point in that region and ongoing investment which are set to penalise margins in the following quarter. Finally in the sector, EssilorLuxottica rose 21% on not only continued high single digit organic sales growth with improving trading in China, but also reflected investors willingness to finally appreciate the long-term potential of the clear global market leader in the eyewear sector to sustain growth and improve margins.

On the negative side we saw ongoing concerns around Amazon the online retailer where slowing growth in their cloud hosting business combined with margin reduction for the group caused by cost increases confirmed our doubt about near term profitability. The stock fell 20% and we sold out of our remaining holding during the period. Roche the Swiss pharma company was also a weak name, falling 12%. The chief reason was the failure of their Alzheimer's drug in late-stage clinical trials, even though expectations were low. We believe the reaction was overdone. Elsewhere in healthcare we saw strong performances from Novo Nordisk +23% and Eli Lilly +4% as their innovative diabetes products continue to outsell expectations.

What is our outlook for the coming months?

We have been more active in the fourth quarter adding several new holdings including security software name Fortinet, industrial supplies distributor W.W. Grainger, bottling and distribution firm Coca-Cola Consolidated, and Medpace a pharmaceutical contract research organisation, among others. To fund these purchases, we sold out of our remaining holding in Chinese contract drug manufacturer Wuxi Biologics, where we see a weakening of their long term cost advantage, and also Alphabet the owner of Google.

Notwithstanding a difficult sectoral rotation during 2022 we stick to our long-term process. We invest in fundamentally high-quality companies which also have a significant family or founder shareholder to guide the company and enable long-term strategic decisions. Detailed corporate governance analysis is essential to identify the most beneficial names among this group.

ⁱReference indicator: MSCI AC World (NR, EUR)

Carmignac Portfolio Family Governed

A global, high-conviction equity fund that invests in family companies

[Discover the fund page](#)



Carmignac Portfolio Family Governed A EUR Acc

ISIN: LU1966630706

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.

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](#).