

CARMIGNAC PORTFOLIO EMERGENTS: LETTER FROM THE FUND MANAGERS

26/07/2023

+22.3%

Outperformance of Carmignac Portfolio Emergents F EUR Acc against its benchmark MSCI EM NR Index over 5 years¹.

1st

Carmignac Portfolio Emergents is ranked 1st quartile for performance, Sortino ratio, Sharpe ratio and information ratio within its Morningstar category (Global EM Equity) over 1 and 5 years.

100%

of the companies we invest in have a positive, measurable impact through the goods and services they produce (in line with the Sustainable Development Goals)².

Carmignac Portfolio Emergents¹ lost 0.97% in the second quarter of 2023, against a 0.48% gain in its reference indicator². This brings the Fund's year-to-date return to 3.95%, versus 2.61% for its reference indicator. In Q2, emerging markets once again sharply underperformed their peers in the developed world, owing mainly to a drop in Chinese stocks.

OVERVIEW OF Q2 2023

Chinese equities experienced another quarter of steep losses, primarily on the back of disappointing economic data – especially in the real-estate sector. Investors had been hoping for a strong economic recovery in China after Beijing reversed course on its public health policy in November, shelving its radical zero-Covid policy and instead letting the virus run its course so that the population could reach herd immunity. This was obviously a boon to the country's economy, and especially its services sector. But so far the rebound has fallen short of expectations. A number of factors are at play, starting with weakness in the country's real-estate sector. Small and mid-sized cities have a huge backlog of unsold apartments, leaving little scope for a healthy, lasting recovery. In addition, consumer confidence is low, unemployment is unusually high, and manufacturing output contracted in Q2 as a result of the global economic slowdown. Economists have lowered their full-year GDP growth forecasts for the country. All this prompted us to scale back our exposure to China. We sold our stake in ENN Energy, a utility that supplies households and businesses with natural gas in order to reduce the share of coal in China's energy mix. ENN Energy has been in our portfolio for 11 years, but is now trading at multiples we believe are too high for the company's growth prospects, which have been pared back in light of the company's higher market penetration and China's demographics. On the other hand, we built up our stake in **EHang**, China's leading supplier of "flying taxis," or electric passenger-grade drones. EHang has obtained the very first permit to operate in China and stands to benefit from this newly opened market.

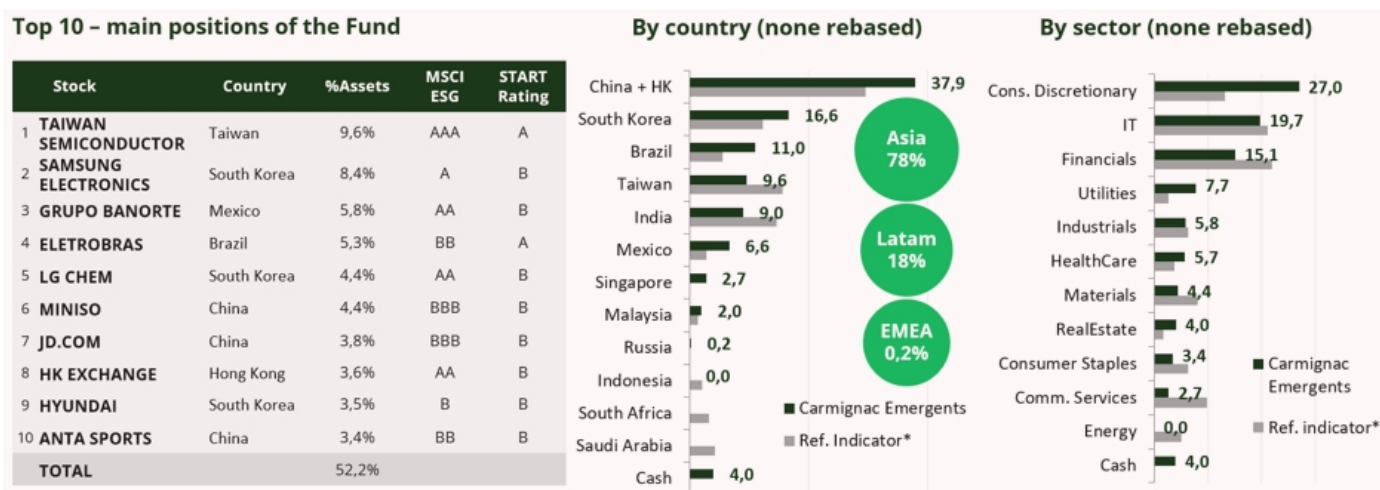
FUND POSITIONING AT 30 JUNE 2023

Also in Asia, we increased our stake in **Taiwan Semiconductor (TSMC)** to just under 10%, the maximum allowable allocation for our Fund. We believe the artificial-intelligence (AI) revolution that drove up the stock prices of US companies like Nvidia and Microsoft isn't yet reflected in TSMC's price, even though the firm sits at the head of a near-monopoly on silicon-wafer production for semiconductors and supplies all of Nvidia's chips. Samsung Electronics (8.4% of the Fund's assets) has been another big winner of the AI revolution; AI technology requires a lot of memory, including the advanced types – such as high-bandwidth memory – for which Samsung has unique expertise and a dominant market share³.

We shored up our Indian holdings (9.0% of the Fund's assets⁹) in Q2 by purchasing additional stock in **Kotak Mahindra Bank** (2.5% of the Fund's assets⁹). Indian equities are some of the priciest in the world, but the country's banking sector has never been healthier thanks to the excellent work done by its central bank. We intend to invest further in this sector at the next market correction.

We added a new Mexican company to our portfolio – **Inmobiliaria Vesta** – bringing our country allocation to 6.6% of the Fund's assets (and our total Latin American allocation to 17.6%⁹). Vesta operates in the highly lucrative market of industrial real estate. While Mexico's commercial and office property markets are facing headwinds from online retail and remote working, respectively, industrial real estate is getting a structural boost from nearshoring. US multinationals in particular are increasing their production capacity in Mexico in order to diversify away from China and take advantage of close proximity to the US, cheap natural gas from Texas, and labour costs that are more competitive than those in China. Vesta owns real estate mainly in manufacturing but also in warehousing – with **Mercado Libre** and **Amazon** among its customers – meaning it's also poised to gain from the boom in online retail. What's more, Vesta has the best corporate governance and capital allocation policy in its sector.

Today our Fund is the most conviction-driven it's ever been. We now have only 35 positions, and the 10 biggest account for 52.0% of the Fund's assets. This reflects our desire to focus on those companies we feel the strongest about in this extremely uncertain market climate. Our highly active approach to asset management, coupled with the strength of our portfolio companies' balance sheets, should enable us to outperform at a time when rate hikes by the main central banks are making things difficult for investors. Seven of our ten biggest holdings are in companies with a positive net debt position, and the only bank on the list – **Grupo Banorte (Mexico)** – has a 22.9% capital adequacy ratio⁴.



SOCIALLY RESPONSIBLE INVESTMENT IS CENTRAL TO OUR APPROACH

Since its inception in 1997, **Carmignac Emergents** has combined what we consider our emerging-market DNA since 1989 with our commitment to strengthening our credentials in socially responsible investment (SRI). In welding together those two areas of expertise, we aim to add value for our investors while having a positive impact on society and the environment.

Classified as an Article 9 fund under the Sustainable Finance Disclosure Regulation (SFDR)⁶ and was awarded France's SRI label in 2019 and Belgium's Towards Sustainability label in 2020⁷.

As an Article 9 Strategy under the SFDR, the Fund will invest mainly in shares of emerging companies that have a positive outcome on environment or society and derive the majority of their revenues or CAPEX from goods and services related to business activities which align positively with UN Sustainable Development Goals (SDGs)⁸. This sustainable objective will be measured and monitored by the percentage of revenues aligned with the SDGs.

Our portfolio is currently structured around 4 major SRI⁵ themes that are central to our process:



As a reminder, our socially responsibility approach is based on three pillars:

- **Invest selectively and with conviction**, giving priority to sustainable growth themes in underpenetrated sectors and countries with sound macroeconomic fundamentals.
- **Invest for positive impact**, favouring companies that deliver solutions to environmental and social challenges in emerging markets and reducing our carbon intensity by at least 50% relative to the MSCI Emerging Markets Index. Our sustainable objective is: >80% Fund's AUM invested in companies with >50% revenue or CAPEX derived from goods and services positively aligned with at least 1 of 9 targeted United Nations Sustainable Development Goals.

- **Invest sustainably by consistently incorporating environmental**, social and governance (ESG) criteria into our analyses and investment decision.

¹Cumulative performance. Carmignac Portfolio Emergents F EUR Acc (ISIN: LU0992626480). *KID (Key Information Document) risk scale. Risk 1 does not mean a risk-free investment. This indicator may change over time. Past performance is not a reliable indicator of future performance. Returns may rise or fall as a result of currency fluctuations. Performance figures are net of fees (excluding distributor entry fees). Performance in euros at 30/06/2023.

²Source: Carmignac, FactSet, data on the Fund's alignment with the selected Sustainable Development Goals at 30/06/2023
Benchmark: MSCI EM NR (USD) index, net dividends reinvested, rebalanced quarterly

³Source: Company data at 06/30/2023

⁴Source: Company data at 06/30/2023

⁵START's proprietary ESG system combines and aggregates ESG indicators from the market's leading data providers. Due to a lack of standardization and insufficient reporting of certain ESG indicators by listed companies, it is not possible to take into consideration all relevant indicators. START provides a centralized system through which Carmignac delivers its analyses and insights on each company examined, even if the aggregated external data is incomplete. For further information, please visit our website.

⁶Sustainable Finance Disclosure Regulation (SFDR) 2019/2088: regulation on sustainability disclosure in the financial services sector. For more information, please visit [EUR-lex](#)

⁷Carmignac Portfolio Emergents has been awarded the French and Belgian SRI labels. <https://www.lelabelisr.fr/en/> ; <https://www.towardssustainability.be/>; <https://www.febelfin.be/fr>

⁸The sustainable investment objective is to invest primarily (i.e. more than 50% of the Fund's net assets) in equities of companies that derive more than 50% of their sales from goods and services related to business activities that are positively aligned with one of the 9 (out of 17) United Nations Sustainable Development Goals ("the 9 SD Goals") selected for this Fund. For more information on the United Nations Sustainable Development Goals, please visit <https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable>.

⁹Data as of 30/06/2023

CARMIGNAC PORTFOLIO EMERGENTS F EUR ACC

(ISIN: LU0992626480)

Clasificación SFDR** :

Clasificación SFDR **9**



Duración mínima
recomendada de la
inversión



PRINCIPALES RIESGOS DEL FONDO

RENTA VARIABLE: Las variaciones de los precios de las acciones cuya amplitud depende de los factores económicos externos, del volumen de los títulos negociados y del nivel de capitalización de la sociedad pueden influir negativamente en la rentabilidad del Fondo. **PAÍSES EMERGENTES:** Las condiciones de funcionamiento y vigilancia de los mercados «emergentes» pueden no ajustarse a los estándares que prevalecen en las grandes plazas internacionales y pueden repercutir en las cotizaciones de los instrumentos cotizados en los que el Fondo puede invertir. **TIPO DE CAMBIO:** El riesgo de cambio está vinculado a la exposición, por medio de inversiones directas o de instrumentos financieros a plazo, a una divisa distinta de la divisa de valoración del Fondo. **GESTIÓN DISCRECIONAL:** La anticipación de la evolución de los mercados financieros efectuada por la Sociedad gestora tiene un impacto directo en la rentabilidad del Fondo que depende de los títulos seleccionados.

El fondo no garantiza la preservación del capital.

*Escala de riesgo del KID (Documento de datos fundamentales). El riesgo 1 no implica una inversión sin riesgo. Este indicador podría evolucionar con el tiempo. **

RENTABILIDADES (ISIN: LU0992626480)

Rentabilidades anuales (en %)	2014	2015	2016	2017	2018
Carmignac Portfolio Emergents	+6.4 %	+3.9 %	+1.7 %	+19.8 %	-18.2 %
Indicateur de référence	+11.4 %	-5.2 %	+14.5 %	+20.6 %	-10.3 %

Rentabilidades anuales (en %)	2019	2020	2021	2022	2023
Carmignac Portfolio Emergents	+25.5 %	+44.9 %	-10.3 %	-14.3 %	+9.8 %
Indicateur de référence	+20.6 %	+8.5 %	+4.9 %	-14.9 %	+6.1 %

Rentabilidades anualizadas	3 años	5 años	10 años
Carmignac Portfolio Emergents	+1.2 %	+6.1 %	+4.9 %
Indicateur de référence	+0.9 %	+4.1 %	+4.9 %

Fuente: Carmignac a 29 de nov. de 2024.

Las rentabilidades históricas no garantizan rentabilidades futuras. La rentabilidad es neta de comisiones (excluyendo las eventuales comisiones de entrada aplicadas por el distribuidor)

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Para España : Los Fondos se encuentran registrados ante la Comisión Nacional del Mercado de Valores de España, con los números : Carmignac Sécurité 395, Carmignac Portfolio 392, Carmignac Patrimoine 386, Carmignac Long-short European Equities 398, Carmignac Investissement 385, Carmignac Emergents 387, Carmignac Credit 2025 1947, Carmignac Euro-Entrepreneurs 396, Carmignac Court Terme 1111.

La Sociedad gestora puede cesar la promoción en su país en cualquier momento. Los inversores pueden acceder a un resumen de sus derechos en español en el siguiente enlace sección 6: www.carmignac.es/es_ES/article-page/informacion-legal-1759

Carmignac Portfolio hace referencia a los sub fondos de Carmignac Portfolio SICAV, una compañía de inversión bajo derecho luxemburgués, conforme a la directiva UCITS. Los Fondos son fondos comunes de derecho francés (FCP) conforme a la directiva UCITS o AIFM.