



Carmignac Nordic Web Conference

Global Marco and Market Views

Wednesday, March 24th 2021



23 strategies to grasp and benefit from promising opportunities worldwide

9 EQUITY STRATEGIES

- Investissement
- Grandchildren 
- Family Governed 
- Grande Europe 
- European Leaders
- Euro-Entrepreneurs
- Emergents 
- Emerging Discovery
- Green Gold 

6 MULTI-ASSET STRATEGIES

- Patrimoine
- Patrimoine Europe 
- Emerging Patrimoine 
- Long-Short Global Equities
- Long-Short European Equities
- Investissement Latitude

7 FIXED INCOME STRATEGIES

- Unconstrained Global Bond
- Unconstrained Euro Fixed Income
- Sécurité
- Unconstrained EM Debt 
- Unconstrained Credit
- Credit 2025
- Court Terme

1 PROFILED STRATEGY

- Profil Réactif

All our Funds integrate ESG criteria in their investment process, but some take a broader approach to ESG integration:

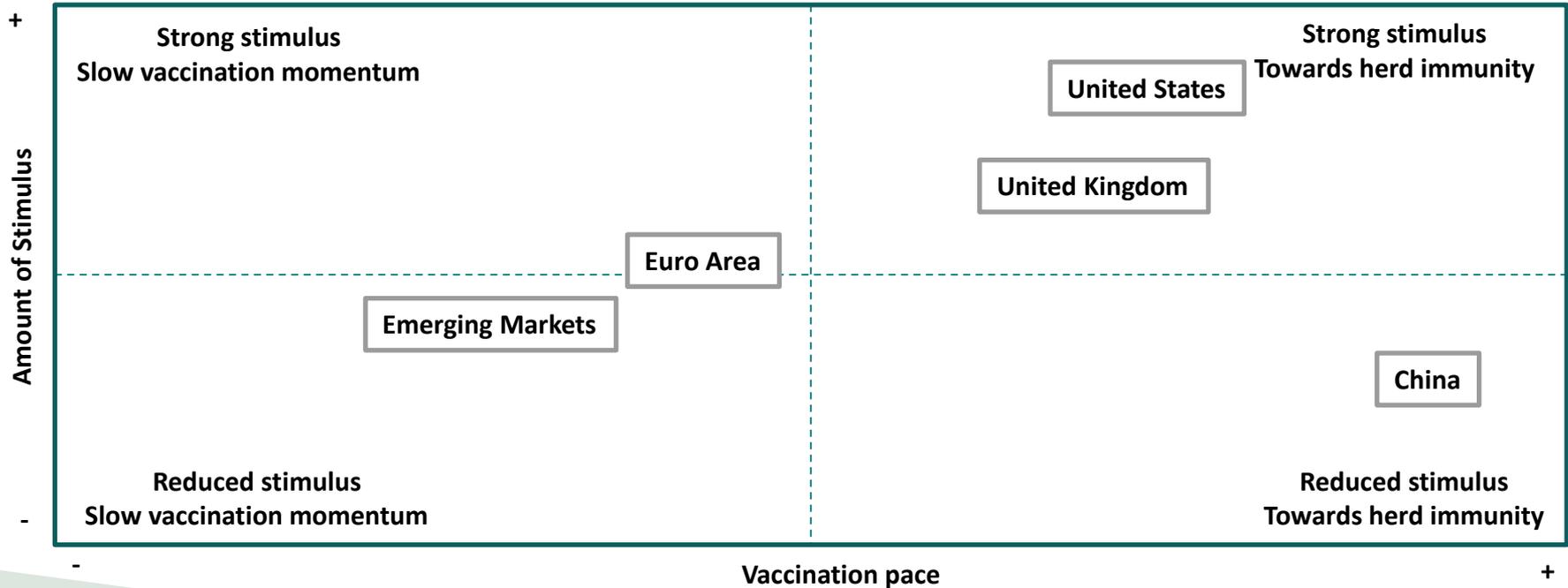


Socially Responsible approach



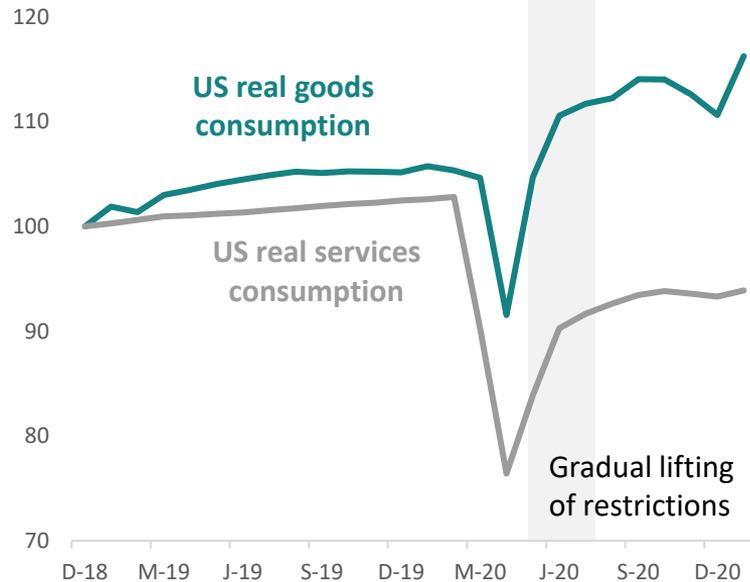
Thematic ESG approach

Outlining the coming months: 2021, not so synchronized

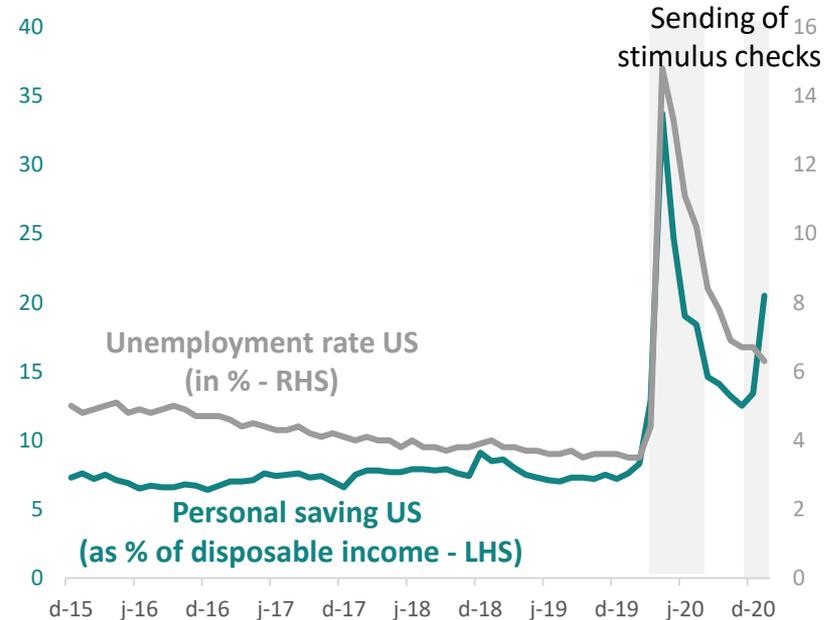


USA: Consumers as the main growth driver along with the reopening of the economy

Consumption to jump, notably in services

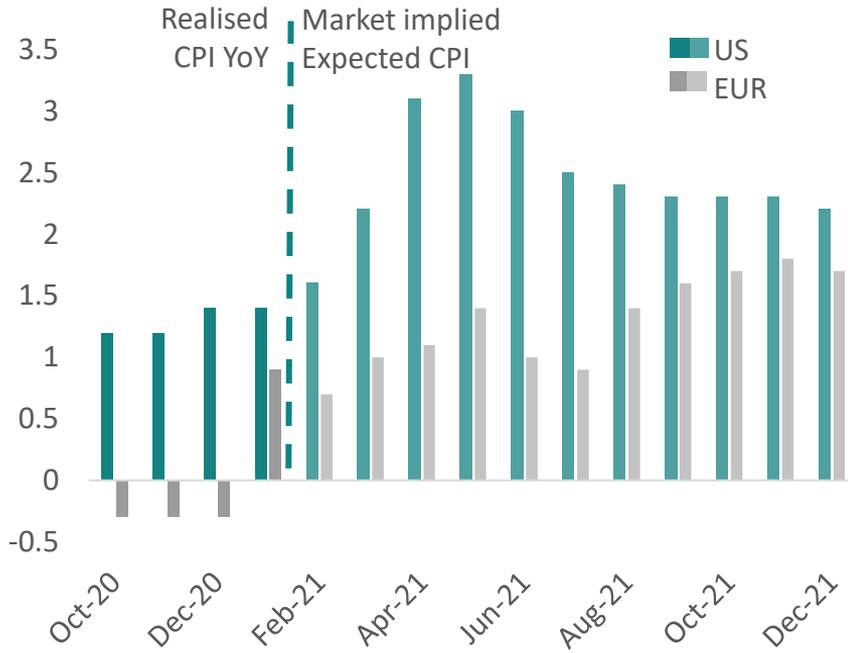


Evolution of personal saving & unemployment rate

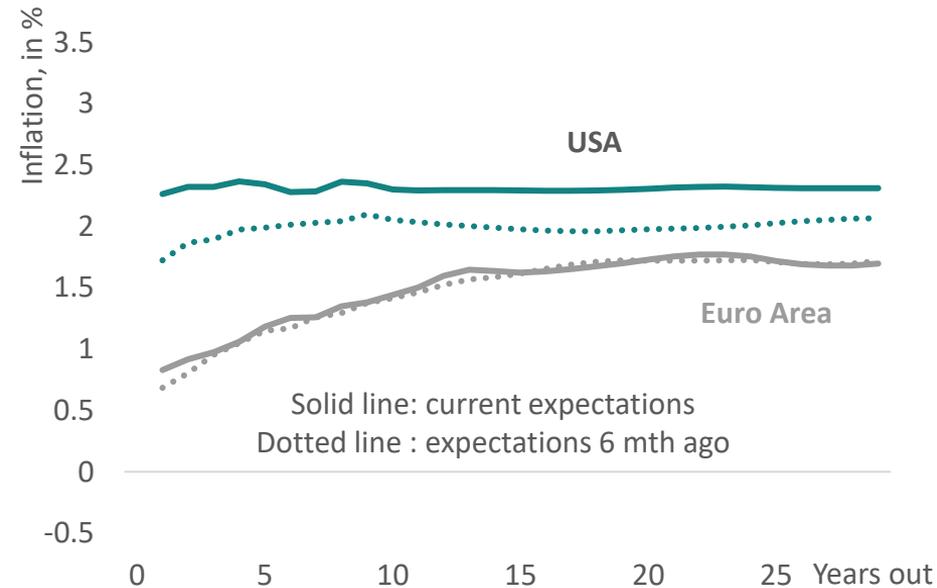


Leading to transitory inflationary pressures or more a change of paradigm?

Short term inflation expectations in the US & Euro Area



Long term inflation expectations in the US & Euro Area



The Federal Reserve has (so far) settled for transitory

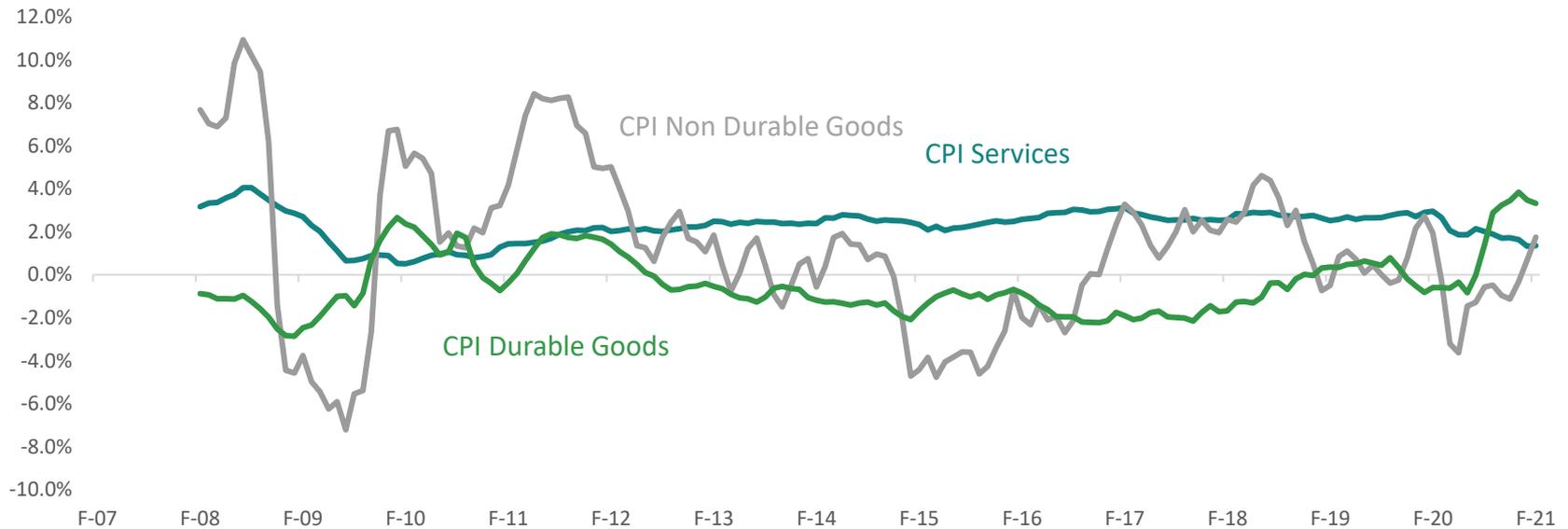
Fed outlook



Change vs. December meeting



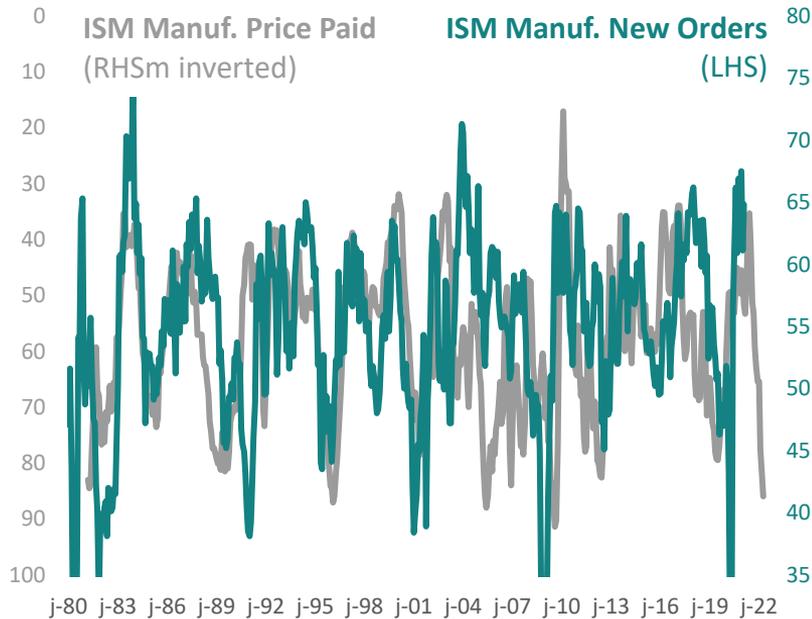
Consumer prices could well remain under upward pressure



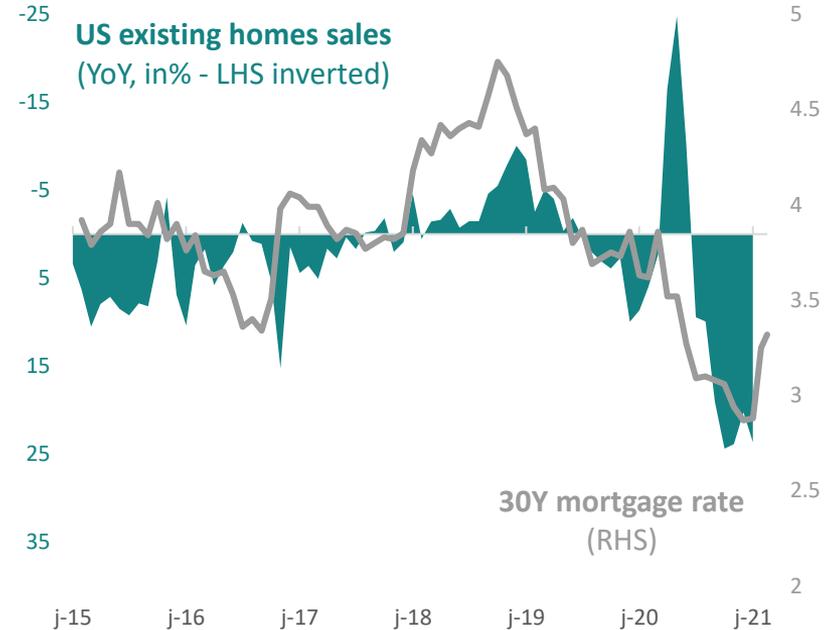
Source: Carmignac, Bloomberg as of March 2021

When inflation and interest rates act as speed bump

When do higher prices become self limiting?



Or higher rates start curbing demand?

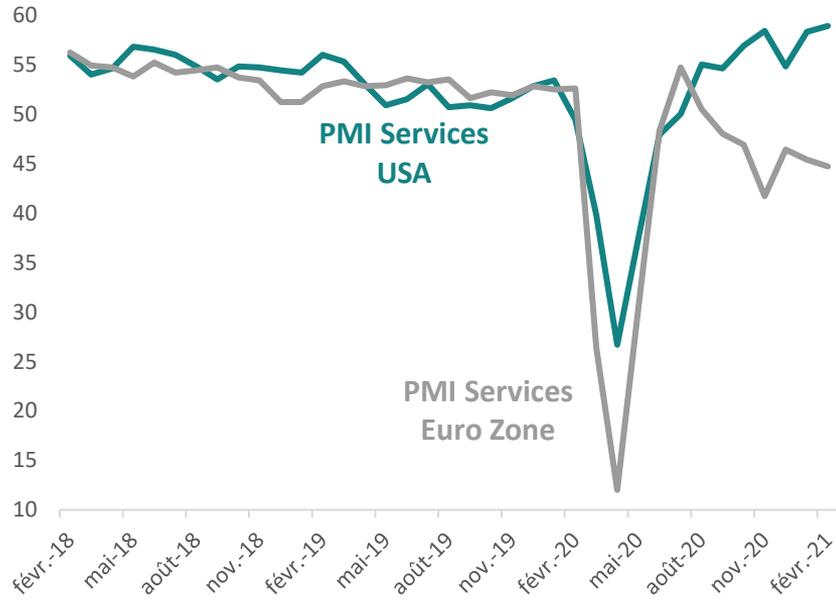




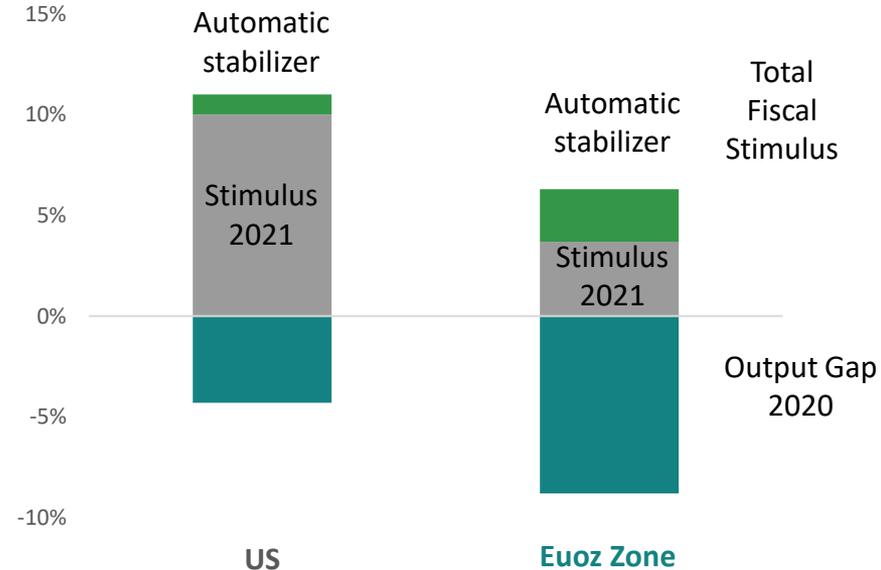
Europe

Europe: the region has been among the hardest hit, yet stimulus has not been as massive

The region has been hit 2 times harder than the USA

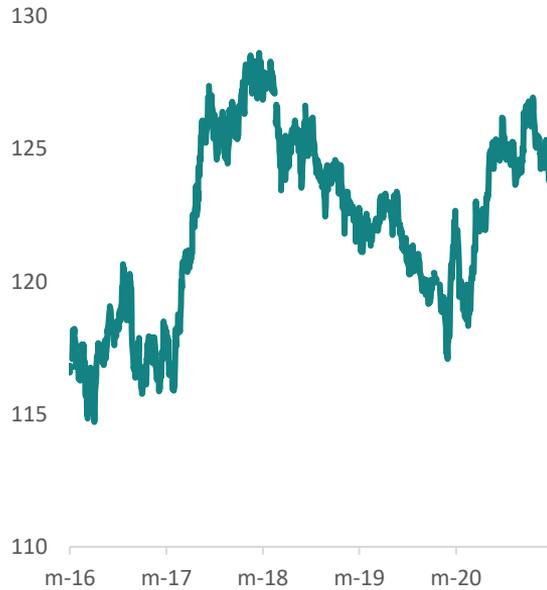


Fiscal stimulus and output gap

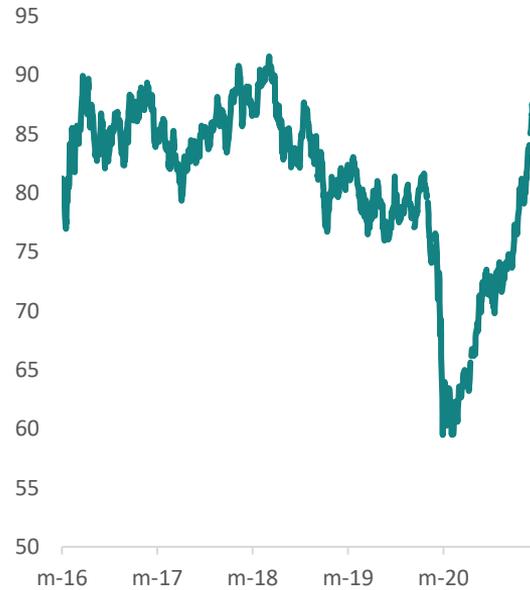


Euro Area: a slower path to recovery

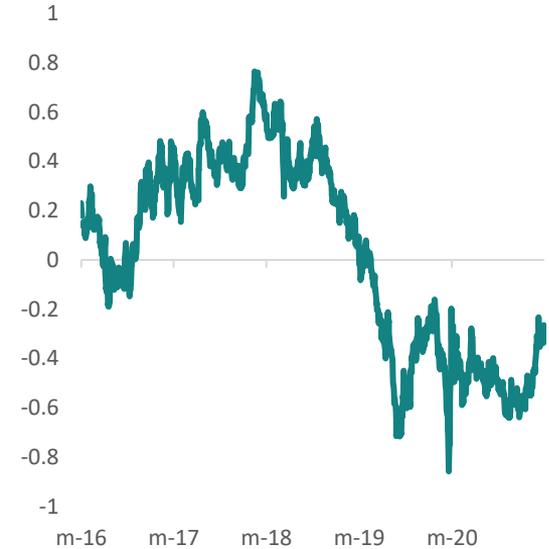
EUR Trade Weighted



Commodity prices



German 10Y yields

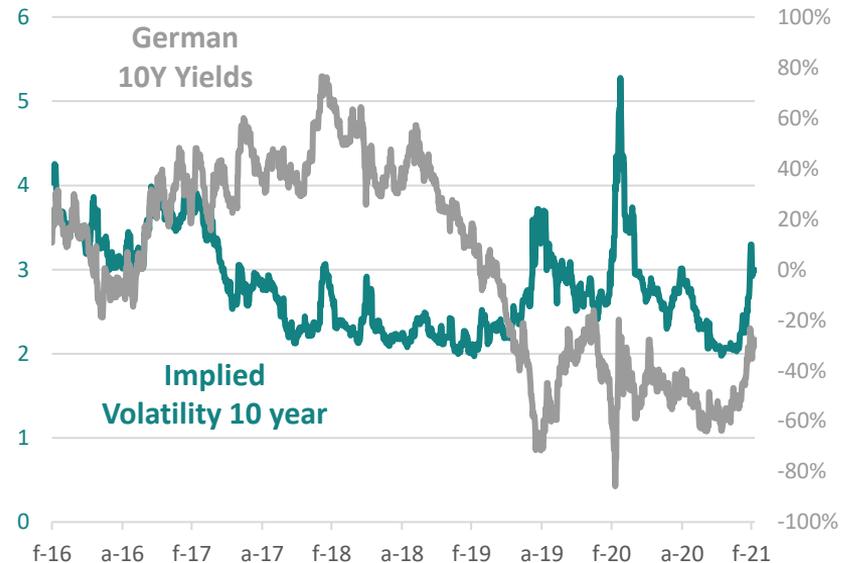


ECB: short rates, short volatility



Isabel Schnabel
Member of
the ECB
Executive
Board

“Speed of adjustment was a source of concern. It risked a premature and too abrupt withdrawal of policy support [...], we will tolerate higher interest rates only if they do not risk slowing the recovery”

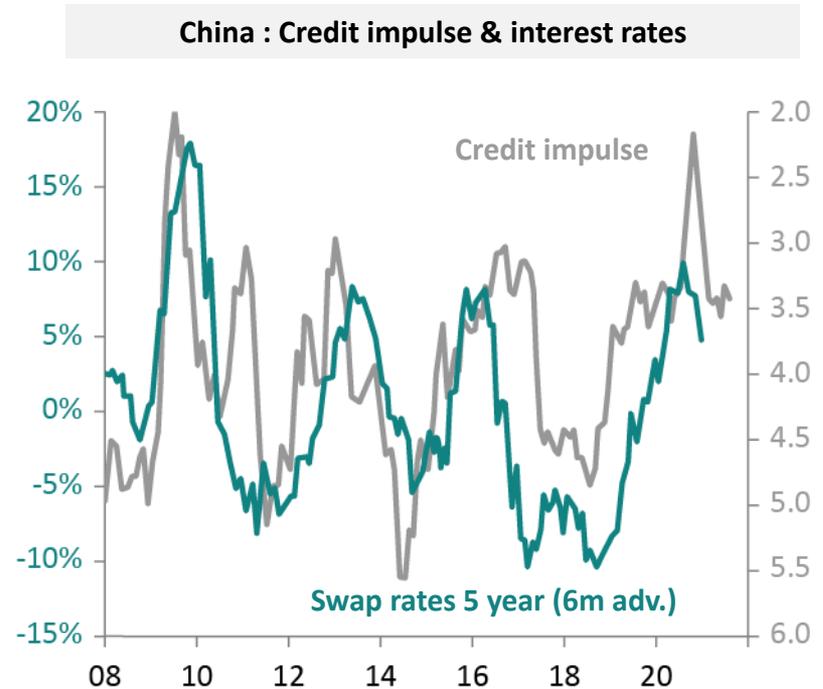
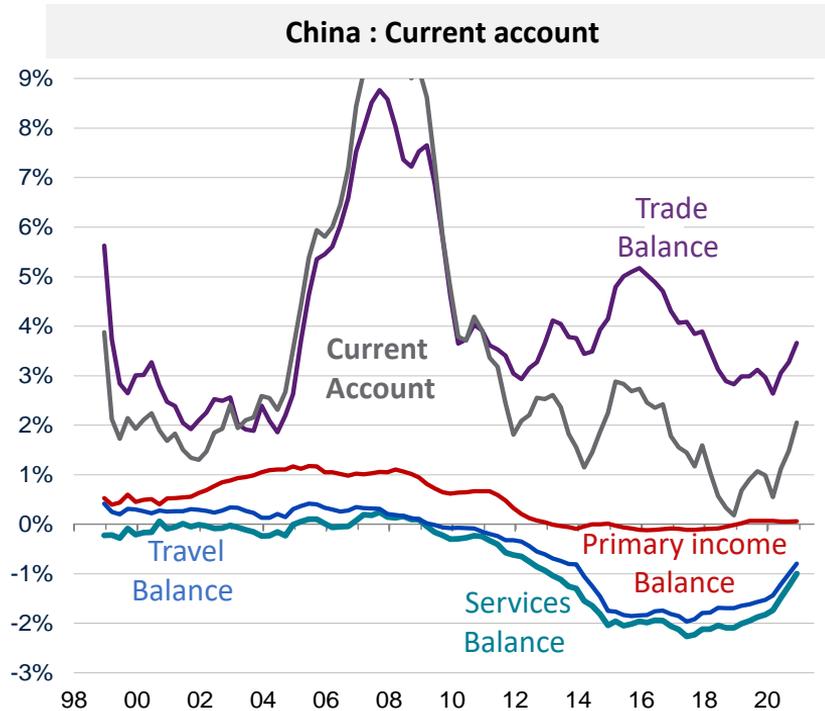


Source: Carmignac, Bloomberg as of 17/03/2021



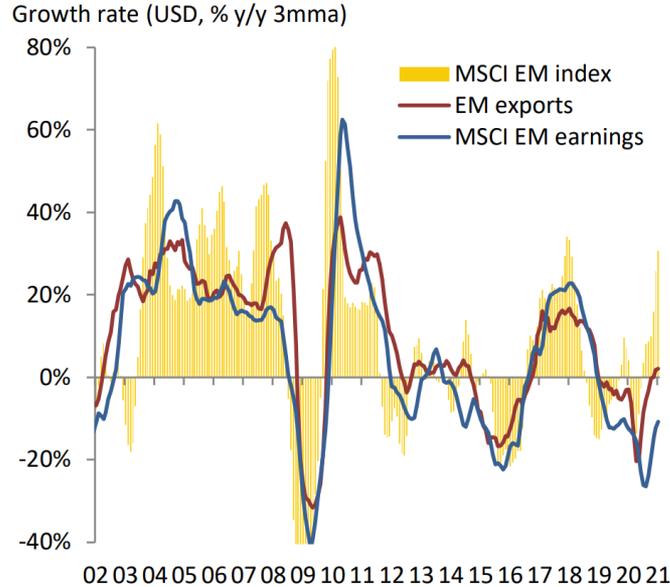
EM & China

China: contradictory objectives?

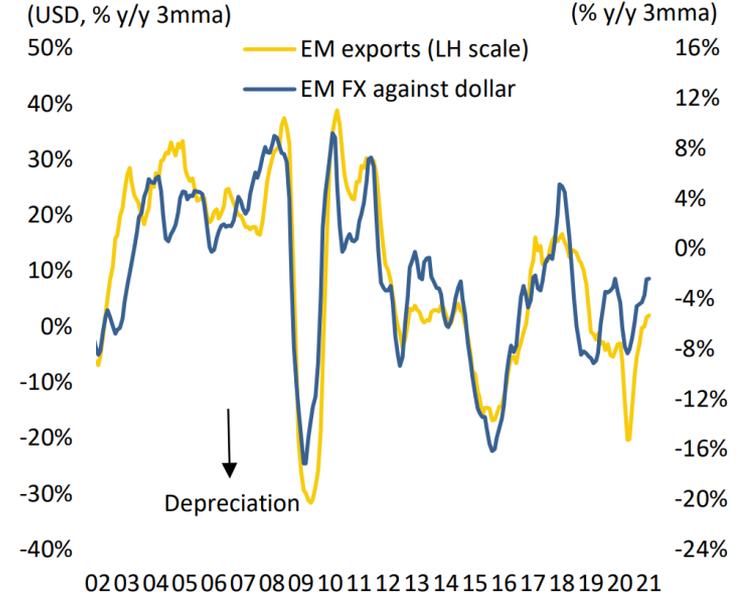


Rebound in EM Exports – Key Driver for EM Equity & FX Performance

Correlation of EM exports with EM equities & Earnings



Correlation of EM exports with EM FX



China outlook for 2021 & long-term

Macro outlook for 2021

- **Growth:** Expected GDP growth of 8.5%
- Recovery of consumption sectors that has been lagging
- **Monetary Policy:** inflation to be monitored, risk of interest rate increase
- **RMB :** stable or appreciation
- **US-China relations** to be closely monitored
- **RCEP Agreement** (Regional Comprehensive Economic Partnership, 15 Asian countries (ex. India)

Long-term outlook

- **2020-2035 Plan**, a comprehensive roadmap for investors
- Political stability, 95% popularity for President Xi Jinping
- **Acceleration of China's tech independence**
- **China GDP expected to double by 2035.** China could outpace US to become the leading economic power.
- **With ~ \$14 trn market capitalization,** Chinese markets will continue to offer attractive investment opportunities in the next 10-15 years



Where do we see opportunities in such an environment

Carmignac Patrimoine: Bond Allocation



Peripheral gov. bonds: 11 bp

-  **Greece**
31 bp
-  **Portugal**
15 bp
-  **Italy**
-35 bp

Credit: 240 bp (56% CPFI, 18% HY, 6.4% AT1)

-  **HY**
72 bp
-  **IG**
168 bp
-  **Structured Credit**
6.1% (CPFI)

Emerging market debt: 198 bp

- Local debt: +74 bp**
Including:
 -  **China**
58 bp
 -  **Russia**
16 bp
- External debt: 124 bp**
Including:
 -  **Romania**
50 bp
 -  **Mexico**
33 bps
 -  **Dom Republic**
14 bp
 -  **Russia**
11 bp
 -  **Ivory Coast**
10 bp
 -  **Ukraine**
6 bp

Core gov. bonds: -567 bp

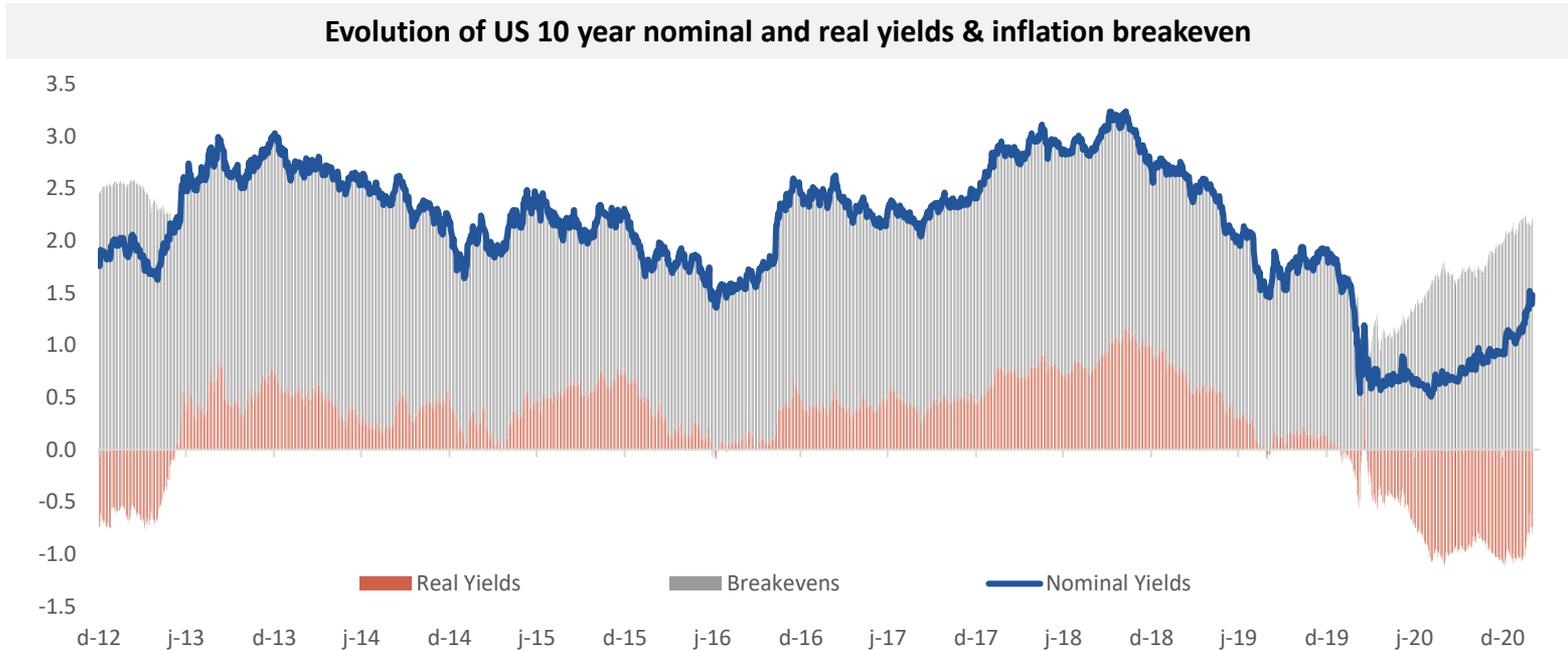
-  **US**
-417bps (5 & 10y)
-  **Uk**
-150bps (10y)

 **US 5 & 10y inflation B/E: 100bps**

Modified duration of the Fixed Income component: -1.2

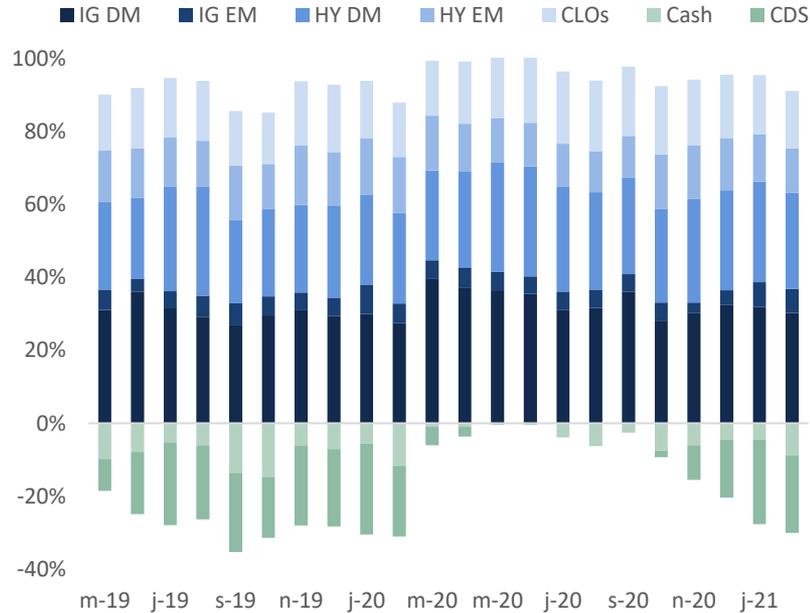
Modified duration is rebased on the fixed income portion and not at the Fund's level.
 Portfolio composition may be changed anytime without notice.
 List of contributors is not exhaustive
 Source: Carmignac, 18/03/2021

Interest rates strategy: Actively managing interest rates risk

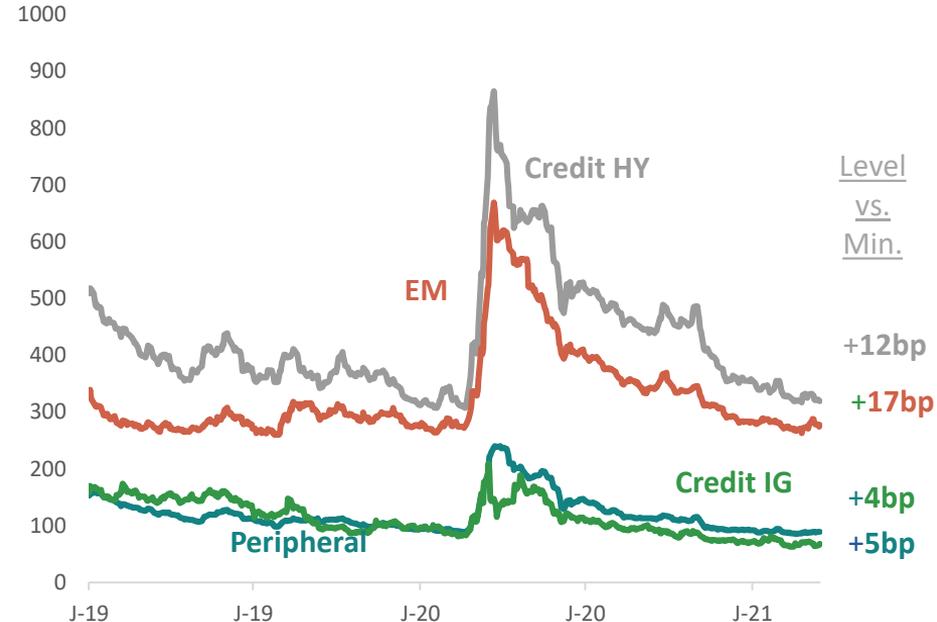


A disciplined approach to credit markets: Credit markets are more than a Beta asset class

Evolution of investments and credit exposure
(illustration of Carmignac Credit, exposure in %)



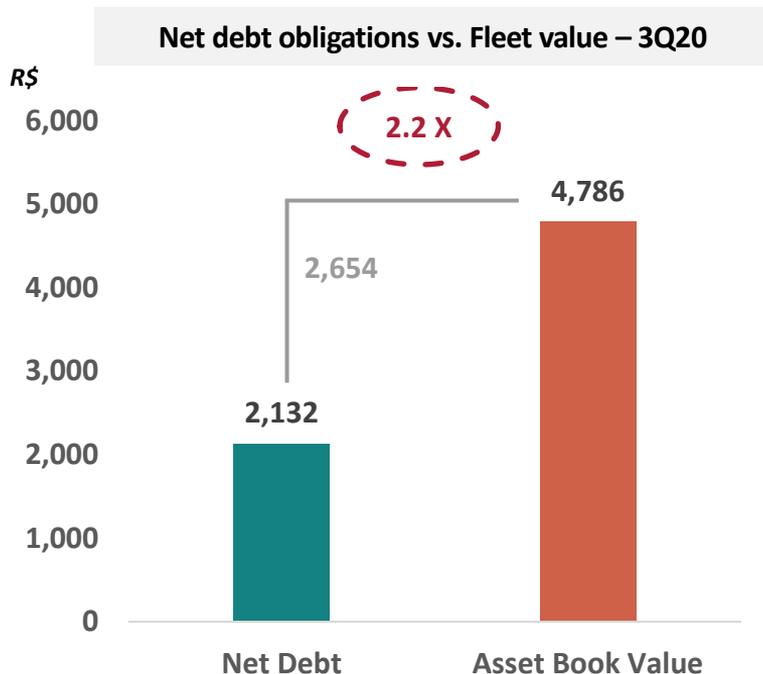
Valuations are back to pre-crisis levels
(evolution of spreads in bps)



Source: Carmignac, Bloomberg as of March 2021

Focusing on those names where spreads can absorb the higher move in rates

The Case of Movida



- ▶ One of the top 3 car rental companies in Brazil
- ▶ Focus on longer-term rentals helped them grow through the pandemic
- ▶ Very healthy balance sheet; 90%+ unsecured with all fleet unencumbered
 - $ND^1/EBITDA^2$ c.2.4x
 - LTV^3 c.45% (on fairly valued fleet)

Issued \$500M 5.25% 10NC5 notes in 28 Jan-21 (B+/BB-)

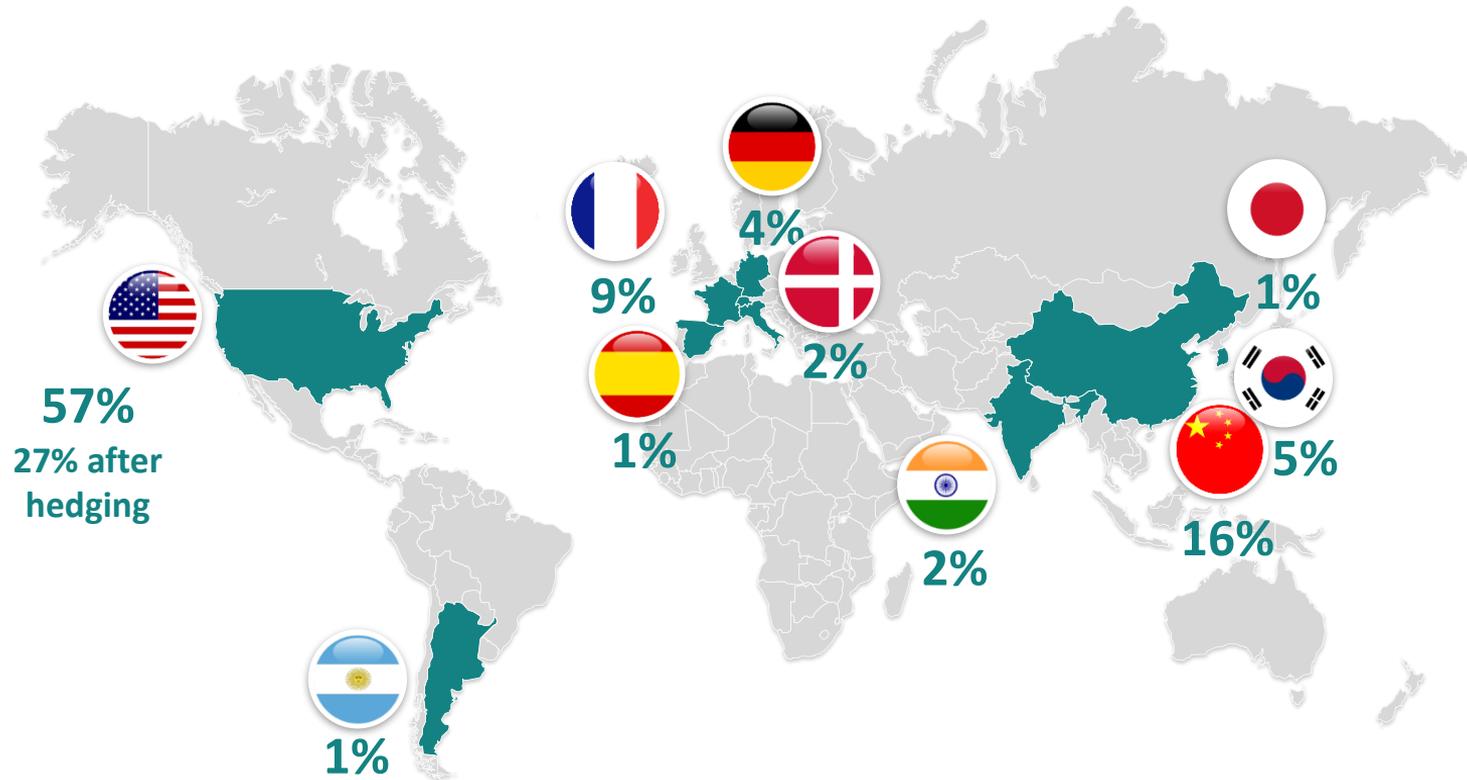
Source: Carmignac, Movida, 28/02/2021

¹ND = Net Debt, ²EBITDA = Earnings before interest, taxes, depreciation, and amortization

³LTV = Loan to Value. The trademarks and logos are used with the authorisation of the respective entities and do not imply any affiliation with or endorsement by them.

Past performance is not necessarily indicative of future performance
Portfolio may change without previous notice

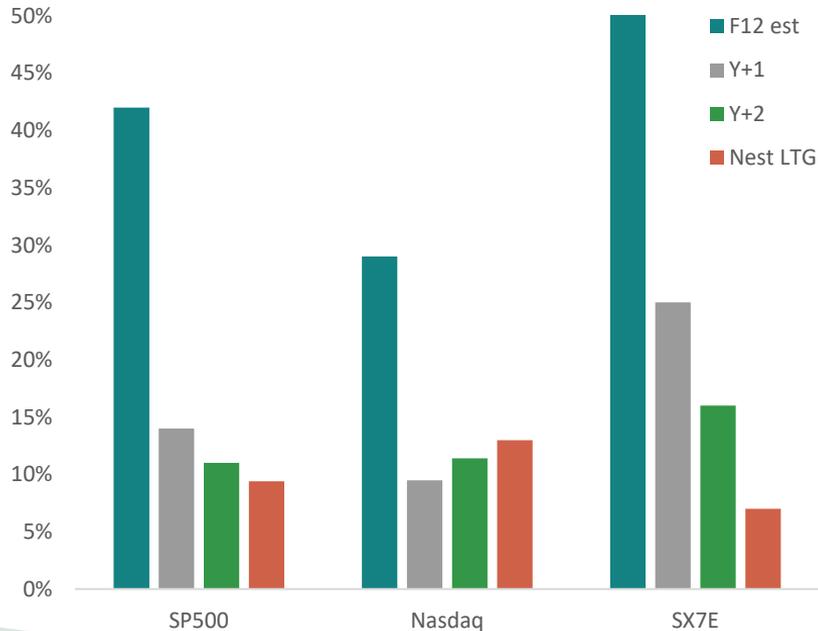
Country breakdown of our equity investments



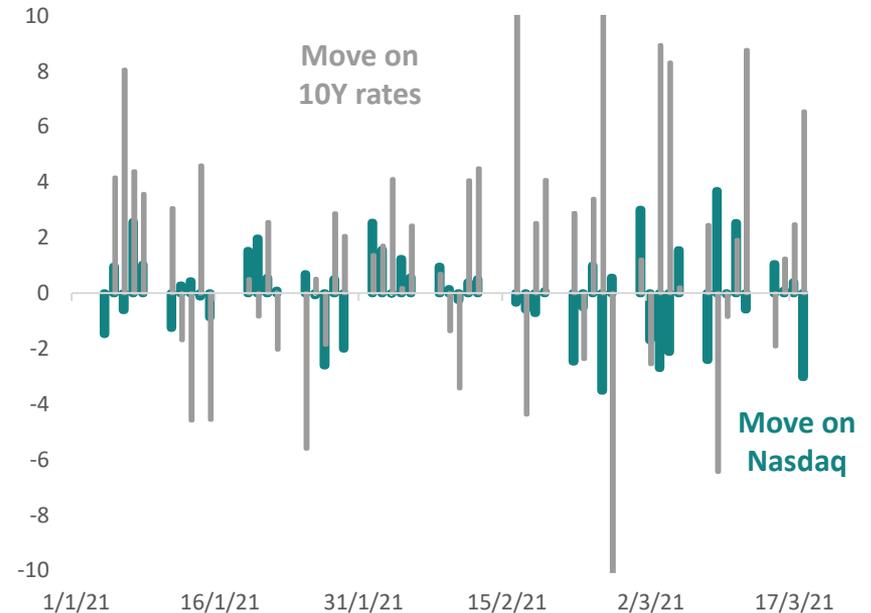
Source: Carmignac, 28/02/2021
Positions held in the portfolio may change over time
Others: 4%

Equity markets: Increasing cyclicality yet maintaining attractive long term growth prospects

Earnings Growth expectations



The increasing impact of higher rates



Core investments focused on long term investment themes



37.7%

DIGITALISATION OF EVERYTHING

Connected consumer
Fintech
Medical innovation



29.2%

DEMOGRAPHIC SHIFTS

Aging
Polarization of consumer spendings



22.2%

TECHNOLOGICAL ACCELERATORS

Cloud
Big data
Connectivity



SAMSUNG



5.5%

CLIMATE CHANGE

Future of mobility
Energy transition



Source: Carmignac, 30/01/2021
Other: 5.9%
Portfolio composition can change

Seeking to benefit from the reopening & US fiscal stimulus

Travel industry companies with dominant market share

Medical technology companies as surgical procedures return

Quality industrial names

Financials

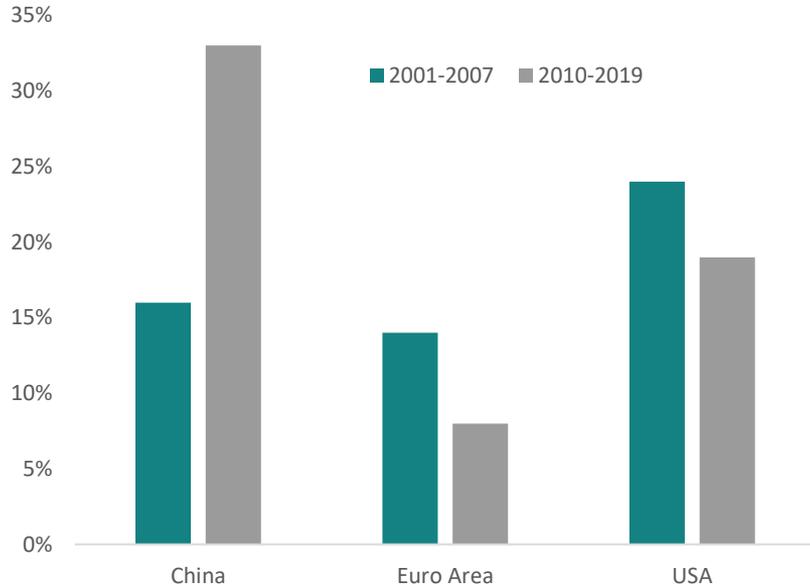


Basket of quality industrial names (derivative position)



The Case for Europe

Contribution to Global GDP growth (in % to global GDP)



Sensitivity of EPS to non domestic growth



Source: Carmignac, Datastream, Les Cahiers Verts as of 19/03/2021

China - One of the best risk parity trades in EM

Performance MSCI China vs China sovereign 5 year yields



► Attractive valuations

- China is offering one of the highest real rates in the world with falling inflation

► Combined with strong economic recovery & improving macro fundamentals

- Activity almost back to pre-Covid levels driven by a combination of public investment & strong exports growth
- Improving current Account (~100bn per quarter)
- The central bank has leeway to lower interest rates if needed to support the economy

Portfolio construction

Net Equity Exposure



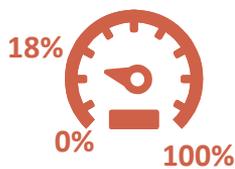
Modified Duration



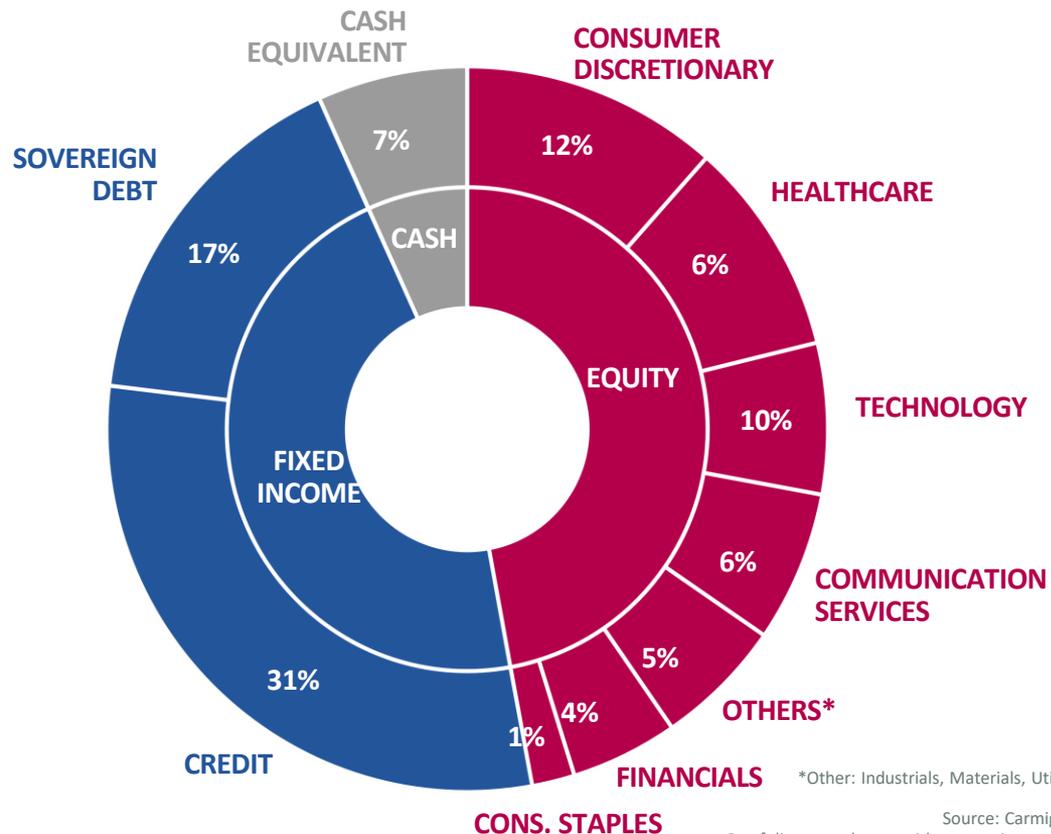
Euro Exposure



Dollar Exposure



Yen Exposure



*Other: Industrials, Materials, Utilities

Source: Carmignac,
Portfolios may change without previous notice.
Left as 28/02/2021
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