

ESG WEBCAST

# MAKE A DIFFERENCE THROUGH AN ACTIVE ESG APPROACH

27 JANUARY 2021

# MAKE A DIFFERENCE THROUGH AN ACTIVE ESG APPROACH

CARMIGNAC EMERGENTS: ACTIVE SUSTAINABLE  
INVESTING IN EMERGING MARKETS



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© Carmignac  
Emergents

© Carmignac Portfolio  
Emergents

# Made in Carmignac

*L'investimento  
Responsabile*



00:00



00:00





# SRI approach made in Carmignac

# Our commitment to Responsible Investment

## Key actions



### Firm

- Carbon neutral 2019
- Office Environmental practices

### 3 key engagement themes

- Climate Change
- Human Capital
- Entrepreneurship

### Do No Harm

- Tobacco Free supporter
- Coal total exit 2030
- Energy investments aligned to Paris Agreement

### Analysts/PM Insights

All portfolio managers and analysts are responsible for ESG integration

### 10 RI fund labels

- 5 French ISR
- 5 Belgian Towards Sustainability

### 100% voting

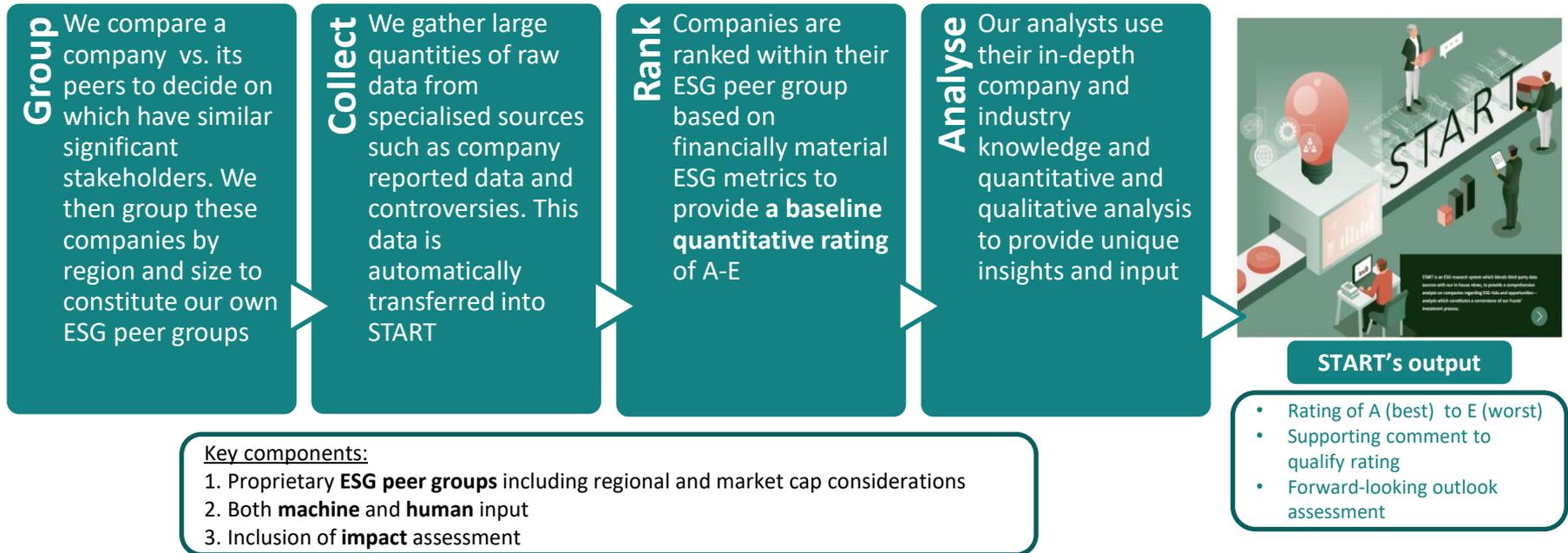
Objective for 2020

### START Platform

Resources deployed to create proprietary ESG research system implemented across all funds

# Carmignac's proprietary ESG research system, START

Integrates ESG research throughout the investment process



The 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: [https://www.carmignac.co.uk/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.co.uk/en_GB/responsible-investment/in-practice-4744)

# START\* ESG indicators and output rating

## ESG Indicators

We analyse and compare each company against 31 identifiable and relevant sustainable metrics

Environmental	Social	Governance
Carbon Emissions –Direct & First Tier Indirect (tonnes CO2e)	% Employee Satisfaction	% Audit Committee Independence
Carbon Intensity- Direct & First Tier Indirect (tonnes CO2e/USD mn)	Employee Turnover	Compensation Committee Independence
Flaring of Natural Gas	Female Managers	Nomination Committee Involvement
Total Energy Use/Revenues	Average Employee Training Hours	Long Term Objective-Linked Executive Compensation
Renewable Energy Use Ratio	Lost Time Due to Injury Rate	Independent Board Members
Energy Use Total	Employee Fatalities	Average Board Tenure
Total Waste / Revenues	Chief Executive Salary Gap	% Board Gender Diversity
Waste Recycled /Total Waste	% Gender Pay Gap	Highest Remuneration Package
Accidental Spills	% Customer Satisfaction	Board Size
Water Use / Revenues		Sustainability Compensation Incentives
Water Recycled		
Fresh Water Withdrawal Total		

## START output rating

Each company is given a rating of A-E which reflects our analysts' view of firm ESG risk

Rating	Definition
<b>A</b>	Manages their risk effectively that have financial impact and communicates with investors
<b>B</b>	Flaws in management system led & working on improvement following recent financial impact controversies.
<b>C</b>	Aware of future risks but do not have adequate systems to manage impact of future financial material risk.
<b>D</b>	Do not understand & no action taken on recent controversies. Management doesn't understand and not addressing risk
<b>E</b>	Not aware of the risk they are facing and has no management plan in place. Faced with controversies and has no plans

\*The 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.

Source: Carmignac, October 2020

7 For more information, please refer to our website: [https://www.carmignac.co.uk/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.co.uk/en_GB/responsible-investment/in-practice-4744)

# START in practice

Company Name and Ticker

Sector: GICS Sector, Carmignac ESG Industry, Proprietary ESG Industry

Analyst: Analyst Name, Last Modified: Date

Environmental: Water Management, Waste Management, Emissions Management, Climate change impact to operations and supply chain

Business Operations ESG Risk Assessment: ESG Risk Rating: B, Trajectory: Stable, Goods & Services Impact Assessment: Climate Change: 0, Natural Capital: 0

MSCI ESG Risk Assessment: Environment Pillar: 6.3, Climate Change: 8.1, Natural Resource: 4.3

Company Reported Data: Carbon-Direct+First Tier Indirect (tons CO<sub>2</sub>e), Carbon Intensity-Direct+First Tier Indirect (tons CO<sub>2</sub>e/mn\$), Energy Use Total (gigaou/e), Total Energy Use To Revenues (gigaou/e/USD), Waste Recycled To Total Waste, Total Waste To Revenues USD (tons/USD), Water Use To Revenues USD (cubic meter/USD)

Impact Measurement: Climate Change: 0.00%, Natural Capital: 0.00%

Severe Controversies / Violation of International Business Norms

Social: Carmignac ESG Risk Rating: B, MSCI ESG Risk Rating: A, Trajectory: Stable, Flag for family firm

Social: Product safety & quality, Human capital management, Employee Health & Safety, Supply chain human rights, customer satisfaction, Cyber security & data privacy

Governance: Board & capital structure, Business Ethics including bribery & corruption, Remuneration

Business Operations ESG Risk Assessment: ESG Risk Rating: C, Trajectory: Stable

MSCI ESG Risk Assessment: Social Pillar: 3.1, Corporate Governance: 3.1

Company Reported Data: Audit Committee Independence %, Average Board Tenure, Board Gender Diversity %, Board Size, Compensation Committee Independence %, Executive Compensation LT Objectives, Executive Sustainability Incentive, Highest Remuneration Package USD, Nomination Committee Involvement %, Strictly Independent Board Members %

PDF Edit Hide Details

Overall

Risk Rating: B, Trajectory: Stable

Comment Required

Environment: Risk Rating: B, Trajectory: Stable, Climate Change: 0, Natural Capital: 0

Social: Risk Rating: B, Trajectory: Stable, Empowerment: 0, Basic Needs: 0

Governance: Risk Rating: C, Trajectory: Stable

Detailed Notes

The 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.

# Our SRI and ESG thematic product range

		EUROPE 			EMERGING MARKETS (EM) 			GLOBAL 
		CP* Grande Europe	CP* Patrimoine Europe	C** Euro Entrepreneurs	C** Emergents	CP* Emergents	CP* EM Patrimoine	CP* Grand-children
SRI	Asset class	Equities	Multi-Asset	Equities	Equities	Equities	Multi-Asset	Equities
	SRI Focus	SDGs <sup>1</sup>	SDGs <sup>1</sup>	Entrepreneurship	Positive screening	Positive screening	Positive screening	SDGs <sup>1</sup>
	Label(s)	 			 			 
	EU classif.	Art.8	Art.8	Art.8	Art.8	Art.8	Art.8	Art.8
	Ext. exclusions							
	Low carbon							
	ESG thematic							
		EM 	GLOBAL 					
		CP* EM Debt	CP* Green Gold	CP* Family Governed				
Asset class		Emerging Bonds	Equities	Equities				
ESG Focus		ESG trajectory	Climate Change mitigation	Governance				
Label(s)				 				
EU classif.		Art.9	Art.9	Art.8				
Ext. exclusions								
Low carbon								

CP\*: Carmignac Portfolio (SICAV fund)  
C\*: Carmignac (FCP)



French Label ISR

For further information, please visit <https://www.llelabelisr.fr/en/>



Belgian Label Towards Sustainability

For further information, please visit: <https://www.towardsustainability.be/>

<sup>1</sup>SDGs: Sustainable Development Goals



Not yet



# Focus on Carmignac Emergents Strategy & SRI Approach

# An Emerging Market Fund Range Meeting Different Investors' needs

	<i>Capitalisations</i>	<i>Morningstar rating</i>	<i>Risk scale</i>	<i>Labels</i>						
<b>Carmignac Emergents<sup>(1)</sup></b>	<table border="1"> <tr> <td>Small</td> <td>Mid</td> <td>Large</td> </tr> <tr> <td></td> <td>●</td> <td>●</td> </tr> </table>	Small	Mid	Large		●	●	 Overall Morningstar Rating™		 <a href="http://www.lelabelisr.fr">www.lelabelisr.fr</a> <a href="http://www.towardsustainability.be">www.towardsustainability.be</a>
Small	Mid	Large								
	●	●								
<b>Carmignac Portfolio Emerging Discovery<sup>(2)</sup></b>	<table border="1"> <tr> <td>Small</td> <td>Mid</td> <td>Large</td> </tr> <tr> <td>●</td> <td>●</td> <td></td> </tr> </table>	Small	Mid	Large	●	●		 Overall Morningstar Rating™		
Small	Mid	Large								
●	●									
<b>Carmignac Portfolio Emerging Patrimoine<sup>(3)</sup></b>	<table border="1"> <tr> <td>Small</td> <td>Mid</td> <td>Large</td> </tr> <tr> <td></td> <td>●</td> <td>●</td> </tr> </table>	Small	Mid	Large		●	●	 Overall Morningstar Rating™		 <a href="http://www.lelabelisr.fr">www.lelabelisr.fr</a>
Small	Mid	Large								
	●	●								

\*SRRI from the KIID (Key Investor Information Document). This indicator may change over time.  
 (1) For A EUR Acc share class. Carmignac Emergents' strategy is also available through Carmignac Portfolio Emergents, sub-fund of Carmignac Portfolio, a Luxembourg SICAV. Both Funds share the same investment strategy, portfolio construction and the same management process. Carmignac Emergents obtained French Label in January 2019. For further information, please visit <https://www.lelabelisr.fr/en/>; Febelfin Label obtained in March 2020. For further information, please visit <https://www.towardsustainability.be/>; <https://www.febelfin.be/fr>

(2) For F EUR Acc share class.  
 (3) For F EUR Acc share class. Carmignac P. Emerging Patrimoine obtained the French label. <https://www.lelabelisr.fr/en/>. Label obtained in Jan 2019. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager. Morningstar Direct © 2021 Morningstar, Inc. All Rights Reserved. 31/12/2020. 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.



**LEAD PM** 01/01/2015  
**AUM** € 1 362 million  
**STRUCTURE** UCITS



**HIGH CONVICTION & QUALITY BIAS**

**Long only & conviction driven EM equity strategy with a growth & quality bias**

- *Non benchmarked & High active share (> 80%)*
- *Concentrated portfolio (~45/50 stocks)*



**SRI & LOW CARBON APPROACH**

**Fully integrated SRI & low carbon approach based on positive screening and best efforts selection**



**LOW VOLATILITY & DOWNSIDE RESISTANCE**

**Lower volatility & downside capture ratios compared to peers and ref. indicator\*\* over several time period**



\* For A EUR ACC share class. Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

\*\*Reference indicator : MSCI EM NR Index (USD), reinvested net dividends, rebalanced quarterly.

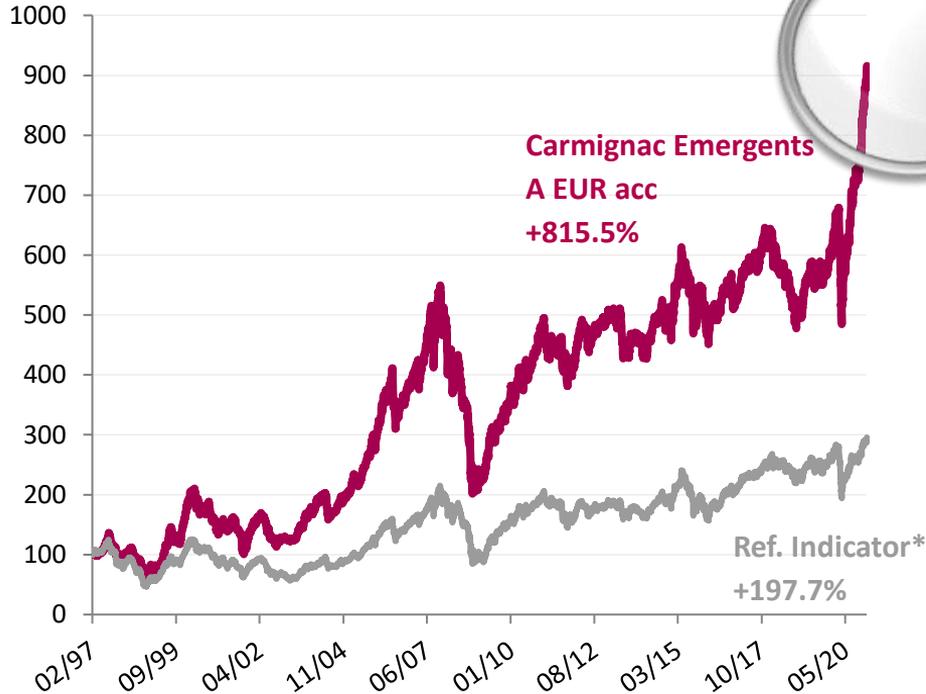
Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager. Morningstar Direct © 2020 Morningstar, Inc. All Rights Reserved. Morningstar Category: Global Emerging Markets Equity. From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested.

Carmignac Emergents A EUR Acc obtained the French SRI label in 2019 and Belgian SRI label in 2020. <https://www.lelabelisr.fr/en/> ; <https://www.towardsustainability.be/> ; <https://www.febelfin.be/fr>

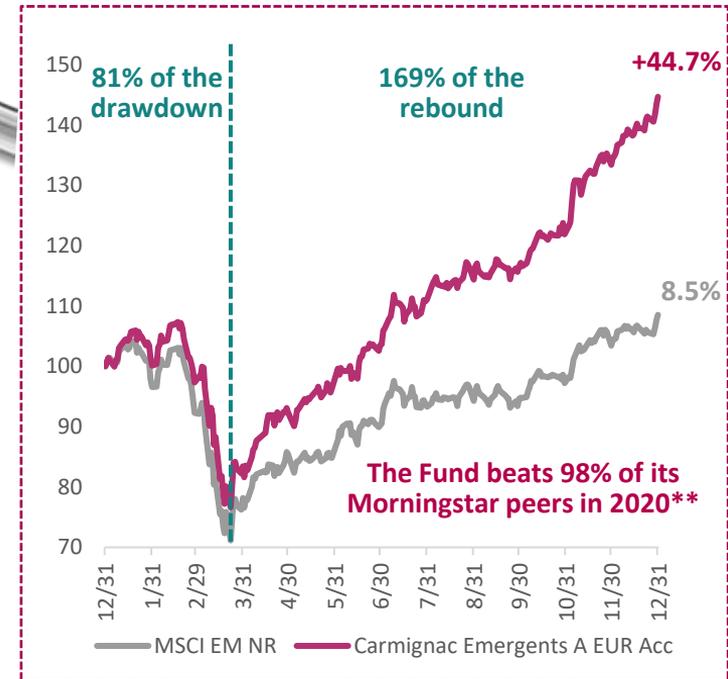
Source: Carmignac, 31/12/2020.

# Carmignac Emergents – Attractive Risk/ Return Ratios

PERFORMANCE SINCE LAUNCH (02/1997)



2020 Performance



\*Reference Indicator: MSCI EM NR USD.

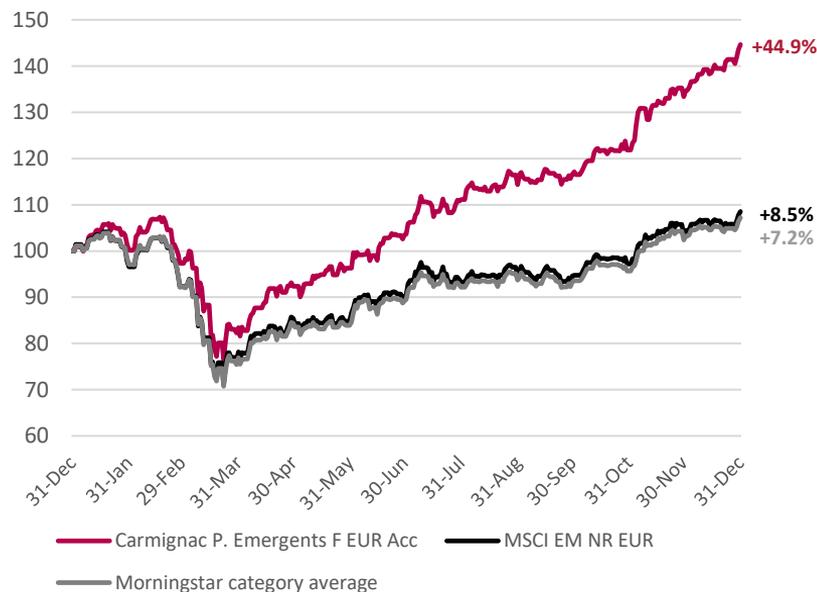
\*\* For its performance from 31/12/2019 to 31/12/2020. Morningstar Category: Global Emerging Markets Equity.

Source: Carmignac, Morningstar 31/12/2020. Carmignac Emergents A EUR Acc (ISIN: FR0010149302). Reference indicator: MSCI EM NR USD. Daily returns in EUR as of 31/12/2020. Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations.

# Carmignac P. Emergents – Attractive Risk/ Return Ratios

Top performer for 2020 return, information ratio and max drawdown

**2020 performance**

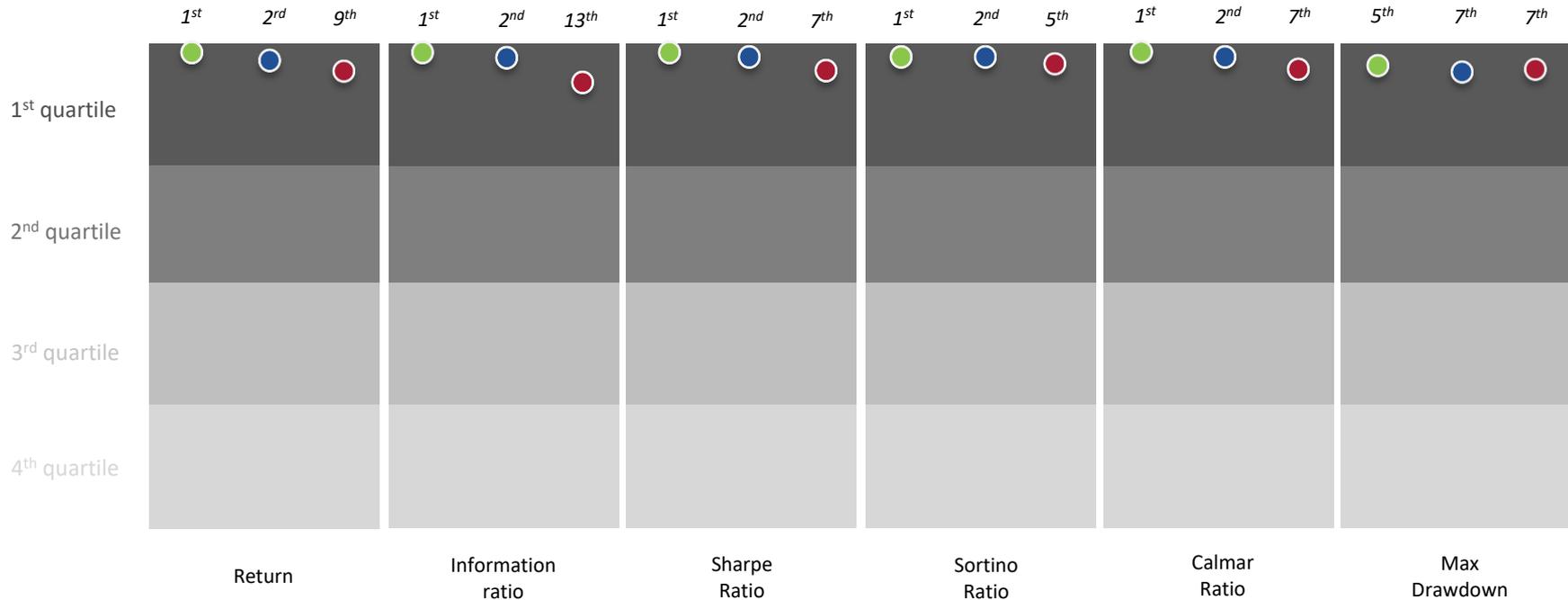


Return	Value	% of peer group beaten
<b>Carmignac P. Emergents F EUR Acc</b>	<b>44.9 %</b>	<b>99 %</b>
MSCI Emerging Markets	+8.5 %	-
Category Average	+7.2 %	-
Information Ratio	Value	% of peer group beaten
<b>Carmignac P. Emergents F EUR Acc</b>	<b>4.7</b>	<b>100 %</b>
MSCI Emerging Markets	-	-
Category Average	-0.3	-
Calmar Ratio	Value	% of peer group beaten
<b>Carmignac P. Emergents F EUR Acc</b>	<b>1.6</b>	<b>99 %</b>
MSCI Emerging Markets	0.3	-
Category Average	0.2	-
Max Drawdown	Value	% of peer group beaten
<b>Carmignac P. Emergents F EUR Acc</b>	<b>-28.7</b>	<b>95%</b>
MSCI Emerging Markets	-31.7	-
Category Average	-31.9	-

Source: Carmignac, Morningstar monthly data. © 2021 Morningstar, Inc - All rights reserved. 31/12/2020.  
 Data in EUR, F EUR Acc share class, ISIN LU0992626480  
 Performances are net of fees (excluding possible entrance fees charged by the distributor). Past performance is not necessarily indicative of future performance. Risk-free rate used: Daily capitalized EONIA. Information ratio measured against the MSCI EM NR index. Morningstar category: Global Emerging Markets Equity

# Top quartile metrics over multiple periods

Carmignac P. Emergents F EUR Acc positioning in the Global Emerging Markets Equity category



2020



3 years



5 years

Source: Carmignac, Morningstar. © 2021 Morningstar, Inc - All rights reserved. 31/12/2020.  
Data in EUR, F EUR Acc share class, ISIN LU0992626480. Performances are net of fees (excluding possible entrance fees charged by the distributor). Past performance is not necessarily indicative of future performance. Risk-free rate used: Daily capitalized EONIA. Information ratio measured against the MSCI EM NR index. Daily return used over one year, monthly for all other periods. Morningstar category: Global Emerging Markets Equity

# Carmignac Emergents – A Strategy that Can Act as a Portfolio Diversification Tool

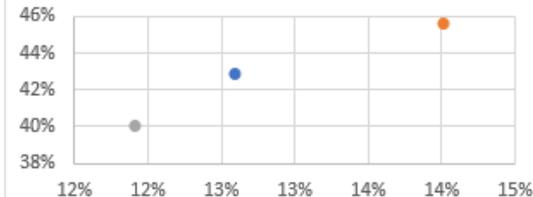
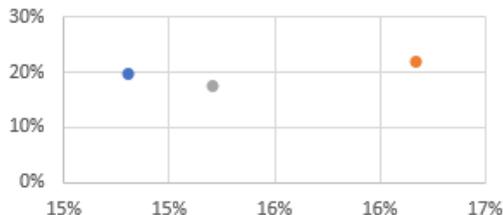
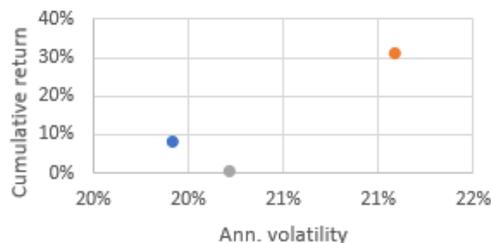
Composite portfolio study – 25% Carmignac Emergents + 75% Index

1 YEAR

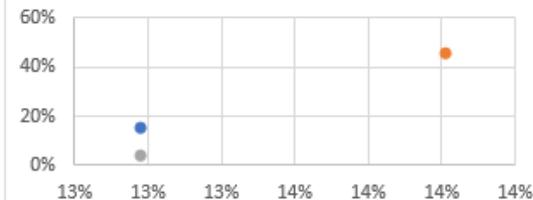
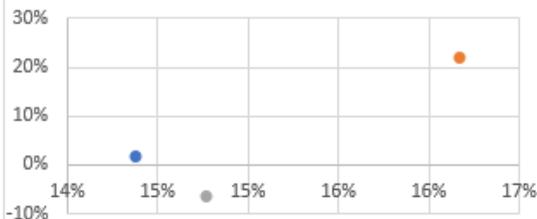
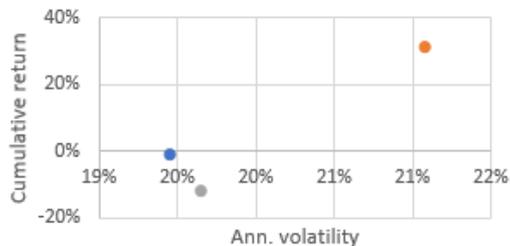
3 YEARS

5 YEARS

Carmignac Emergents A  
EUR Acc vs MSCI AC WOrld



Carmignac Emergents A  
EUR Acc vs Stoxx 600



For illustrative purposes only Performances are net of fees (excluding possible entrance fees charged by the distributor). Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager. Source: Carmignac 30/11/2020

# An Investment Process Taking into Account Financial and Extra Financial Criteria<sup>1</sup>

Macro Level

Micro Level

EMERGING UNIVERSE<sup>2</sup>

≈ 1365 stocks



**Country Selection**

Strong macro fundamentals



**Sector Selection**

Underpenetration & positive impact screening



**Stock Selection**

Sustainable FCF, self financed growth

INVESTABLE UNIVERSE ACCORDING TO FINANCIAL & EXTRA FINANCIAL CRITERIA

≈ 580 stocks



**Detailed ESG analysis based on trajectory & best efforts approach**



**Add. exclusions based on sectorial & controversy considerations**



**Active voting & engagement**

SUSTAINABLE EMERGING UNIVERSE

≈ 460 STOCKS

© Carmignac Emergents

© Carmignac Portfolio Emergents

40-55 stocks

<sup>1</sup>All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: [https://www.carmignac.lu/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744)

<sup>2</sup>Universe: MSCI Emerging Markets Index (USD). Portfolio composition may vary overtime. \*The investable universe is reviewed on a quarterly basis. Data as of 30/09/2020. Source: Carmignac October 2020

# Underpenetration Goes Hand In Hand With Sustainability

Favoring companies with attractive long-term growth prospects **AND** bringing a solution to environmental and social challenges within the EM countries\*



\*The portfolios of Carmignac funds may change without previous notice.

All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: [https://www.carmignac.lu/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744) Source: Carmignac, company data 31/12/2020

# Carmignac Emergents Exclusion Policies\*



## ENERGY EXCLUSION POLICY

- ✘ **Thermal Coal** producing companies with more than 10% sales directly derived from coal extraction
- ✘ **Unconventional energy** <sup>(1)</sup> companies deriving more than 1% of total production from unconventional energy sources
- ✘ **Conventional energy production** <sup>(2)</sup> companies must have a minimum 40% revenue from **Gas and/or Renewable Energy** <sup>(3)</sup>
- ✘ **Conventional oil energy production** companies are limited to 3% of the portfolio
- ✘ **Power generation** companies must not exceed 408 gCO<sub>2</sub>/kWh carbon intensity or if data is not available cannot exceed:
  - **Gas-fired** – 30% production or revenue
  - **Coal-fired** – 10% production or revenue
  - **Nuclear-fired** – 30% production or revenue

## ETHICAL EXCLUSION POLICY

- ✘ **All Controversial weapon** companies <sup>(4)</sup>
- ✘ **Conventional Weapons including components** companies (10% revenue hurdles)
- ✘ **All Tobacco** producers. Wholesale distributors and suppliers 5% revenue threshold
- ✘ **Norms based** exclusion including UN Global Compact violations human rights, labour rights, environment and corruption
- ✘ **Adult Entertainment** companies (2% revenue hurdle)
- ✘ **Meat-processing companies** whose revenues derive partially or completely from the processing of cattle, pork, lamb or poultry
- ✘ **Companies in the PETA** (People for Ethical Treatment of Animals) exclusion list

\*Our Energy and Ethical policies are aligned with the Quality Standards of the Belgian SRI label  
(1) Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling.

(2) Conventional energy extraction sources: oil and gas

(3) Renewable energy: biofuel, wind, solar, wave, geothermal, hydro, tidal.

(4) Companies that do not comply with: 1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3. The Belgian Loi Mahoux, the ban on uranium weapons; 4. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called nuclear weapons states (USA, Russia, UK, France and China); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons

Exclusion lists are updated on a quarterly basis

Source : Carmignac, October 2020

# Our Internal ESG Guidelines



## Portfolio construction objective

- ▶ 20% of Fund's investment universe (MSCI EM NR) is excluded based on ESG criteria
- ▶ The Fund aims to achieve carbon emissions 30% lower than its reference indicator (MSCI EM NR USD Index)<sup>1</sup>



## Integration of ESG criteria and engagement with companies

- ▶ Minimum 90% of portfolio holdings are analysed for ESG risks and opportunities
- ▶ ESG research system START<sup>2</sup> used to centralise raw ESG Data, proprietary scoring and revenue impact
- ▶ We commit to a strengthened dialogue with companies to improve their approach to ESG issues aligned with our corporate themes<sup>3</sup>



## Voting Policy engagement

- ▶ An objective of participation rate of 100%<sup>4</sup>

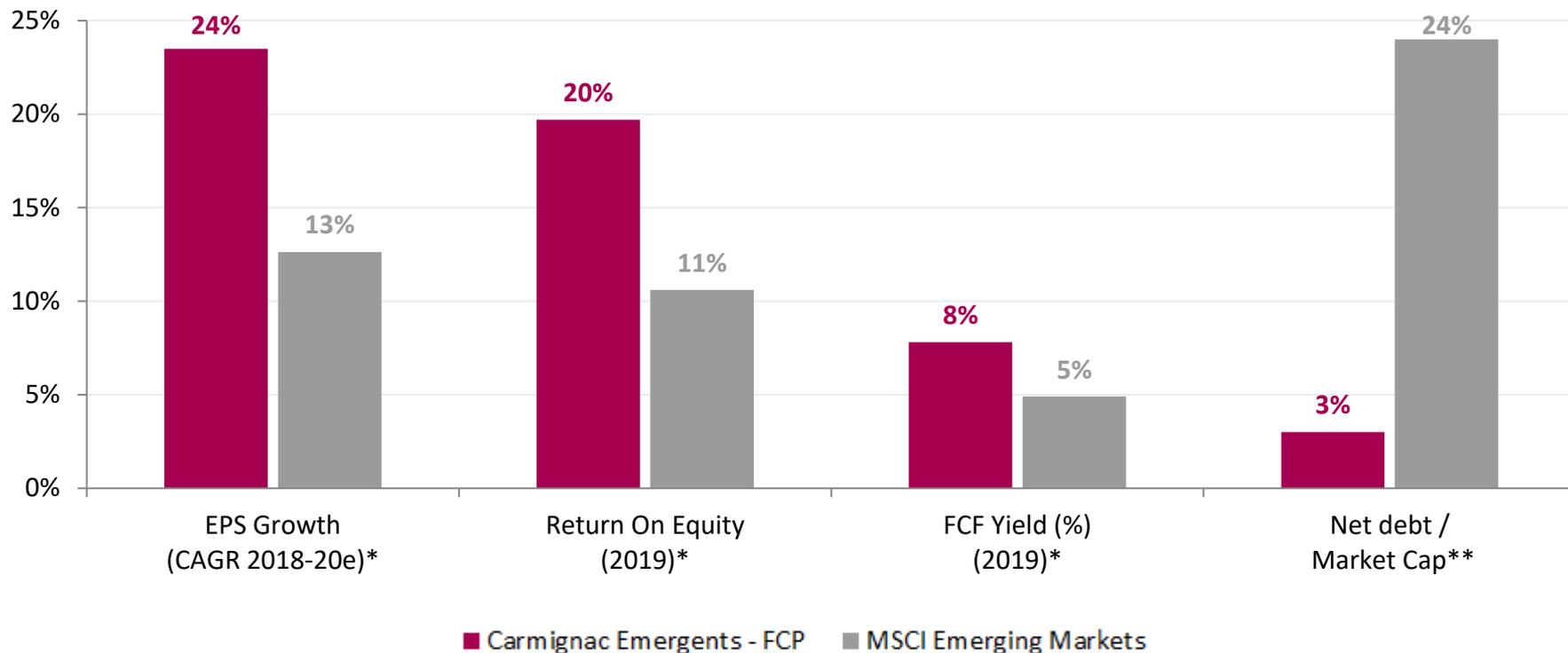
<sup>1</sup>**CO2 emissions:** The Sub-Fund aims to achieve carbon emissions 30% lower than the reference indicator as measured by carbon intensity (tCO2/ mUSD revenue converted to Euros; aggregated at portfolio level (Scope 1 and 2 of GHG Protocol))

<sup>2</sup>The 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.

<sup>3</sup>Please refer to our ESG-related themes at [https://www.carmignac.lu/en\\_GB/responsible-investment/our-approach-4743](https://www.carmignac.lu/en_GB/responsible-investment/our-approach-4743) .

<sup>4</sup>Excluding warrants/ P-Notes and preference shares  
Source: Carmignac, October 2020.

# Result of our approach: Quality Financial Ratios, Consequence of Stock-Picking



\*Earnings per share growth, Return on Equity, Free Cash Flow Yield consensus estimates \*\* Net debt at last company publication date and market capitalisation as of 30/06/2020 – Net debt excluding financials Sources: Carmignac, Datastream, Bloomberg, 30/06/2020 Carmignac, 2019. 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. The Funds present a risk of capital loss. Portfolio may vary over time.

# Conclusion : A Sustainable & Low Carbon Approach with Strong Recognition

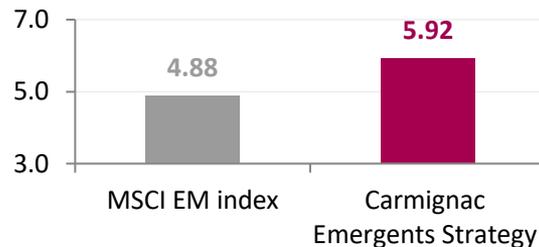
-  Non-benchmarked approach, with a high active share
-  « Best-in-universe » and « Best efforts » selection
-  Low carbon footprint
-  Extended exclusions
-  Active voting policy

## 'Socially Responsible Investment' Labels<sup>1</sup>

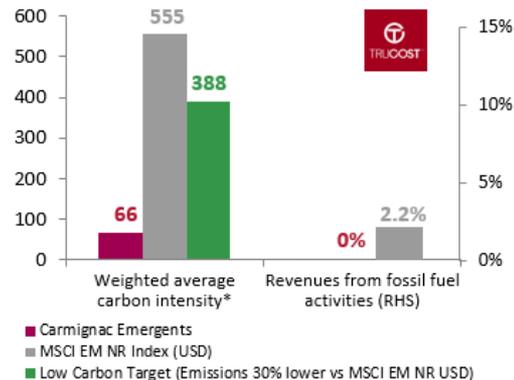


MSCI ESG RESEARCH

### MSCI ESG score<sup>2</sup>



### Fund Carbon Footprint as of 30/09/2020<sup>3</sup>



(1) Carmignac Emergents obtained the French and Belgian sustainability labels. <https://www.labelisr.fr/en/> ; <https://www.towardsustainability.be/> ; <https://www.febelfin.be/fr> (2) Source: MSCI Portfolio Analytics, 31/12/2020. All scores are on a 0-10 scale, with 10 being the best. If ESG coverage is less than 100% holdings are adjusted to 100% for report calculations. The MSCI ESG score is updated on an annual basis. (3) To calculate the portfolio carbon emissions, the companies' carbon intensities (tonnes of CO<sub>2</sub>e /USD mn revenues converted to Euros, (Scope 1 and 2 GHG Protocol), S&P Trucost) are weighted according to their portfolio weightings (adjusted for 2 holdings for which carbon emissions are not available), and then summed. Source: S&P Trucost, Carmignac, October 2020.



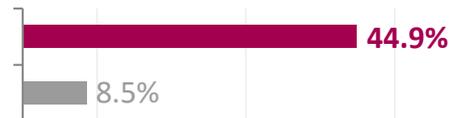
# Performance analysis & Current Positioning

# Carmignac P. Emergents 2020 Performance Analysis

## 2020 NET PERFORMANCE\*

Carmignac P. Emergents F EUR Acc

Ref. indicator\*



## WHAT IS BEHIND THIS OUTPERFORMANCE?



**Geographic & Thematic Allocation Choices**

Focus on Asia  
Focus on winners of digital revolution



**Bottom up stock picking choices & disciplines position sizing**



**SRI Process & Focus on Sustainability Themes**

### Digitalisation : eCommerce & Internet



### Tech leaders Cloud & Data centers, 5G & Semiconductors



### Healthcare & Biotech



### Green Technologies & eMobility



# Portfolio Adjustments in 2020

Discipline in position sizing and profit taking

## STRUCTURAL ADDITIONS

Asian/Chinese equities, as they emerge as the big winners of the crisis & recently Brazil



## INCREASED FOCUS

Healthcare



allegro

5G, AI and winners of Tech War



## REDUCTIONS/ PROFIT TAKING

Electric Vehicles



Chinese healthcare names



## CYCLICAL ADJUSTMENTS



Increase of Brazilian exposure



ITAÚSA



Increase of Russian exposure

Increased weighting of value or “quality cyclical” names



ITAÚSA

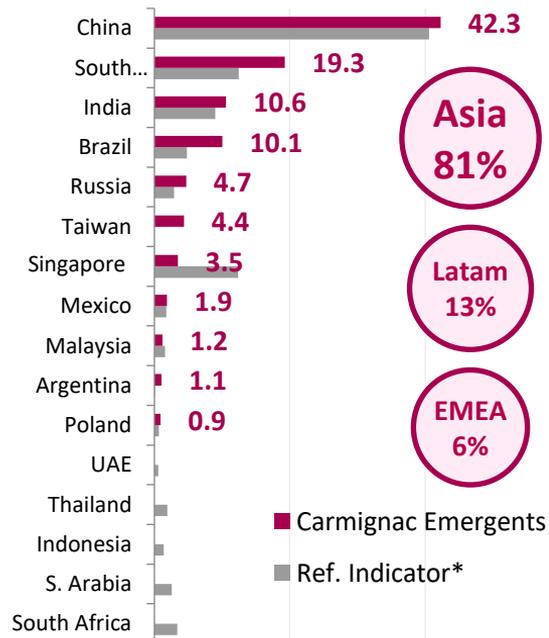
The portfolios of Carmignac funds may change without previous notice.  
Source: Carmignac, données des sociétés, 30/11/2020

# Carmignac Emergents - Current Positioning & Biggest Convictions

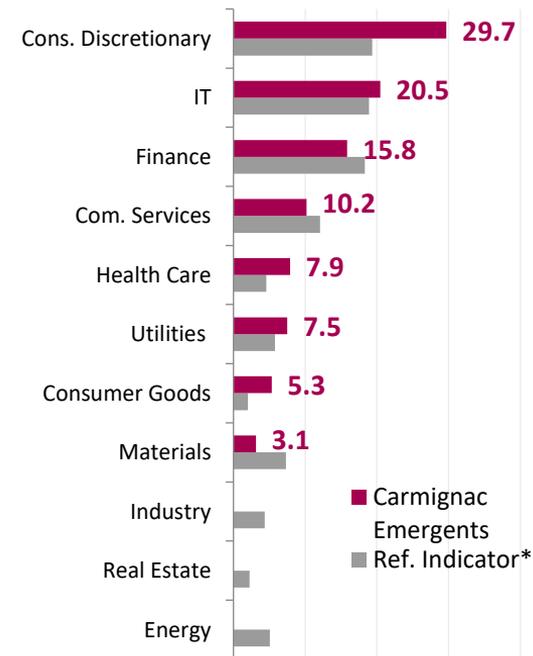
## Top 10

	Stock	Country	% AUM
1	SAMSUNG ELECTRONICS	S. Korea	8.6%
2	JD.COM INC	China	6.4%
3	TAIWAN SEMICONDUCTOR	Taiwan	4.5%
4	LG CHEM	S. Korea	4.1%
5	HYUNDAI MOTOR	S. Korea	3.7%
6	ITAUSA	Brazil	3.6%
7	SEA LTD	Singapore	3.5%
8	WUXI BIOLOGICS	China	3.3%
9	HAIER SMART HOME	China	3.0%
10	KINGSOFT CLOUD	China	2.8%

## By country



## By sector

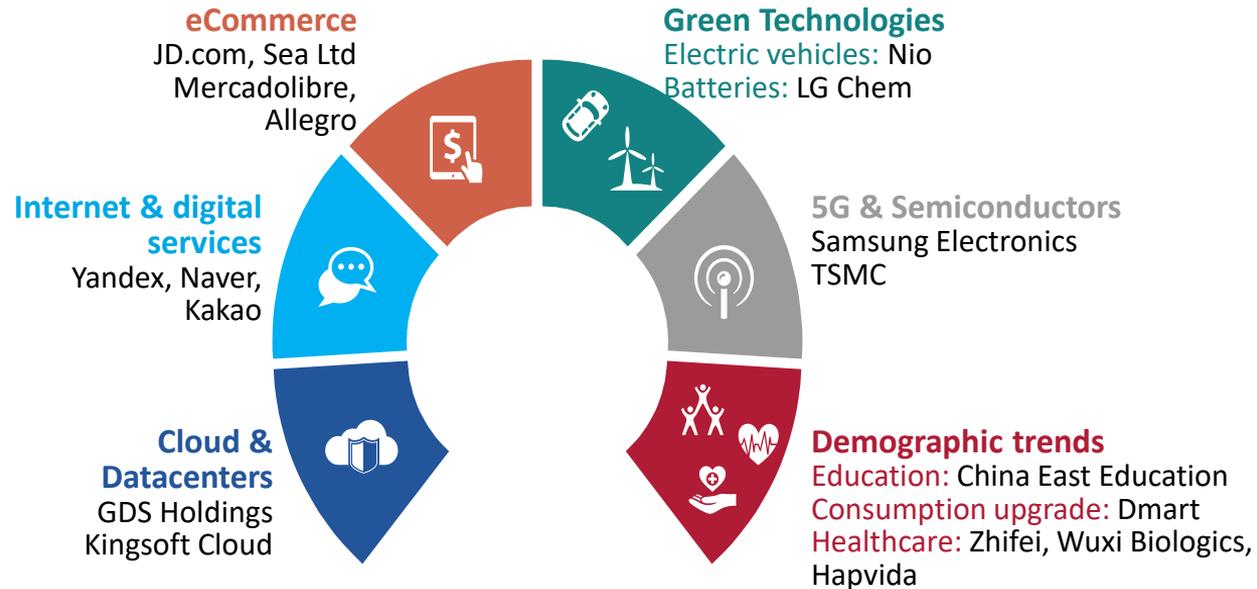


\* MSCI EM NR (USD) net dividends reinvested  
China - including Hong Kong  
Carmignac's portfolios are subject to change at any time.  
Source: Carmignac, 31/12/2020

# Increased Focus on Beneficiaries of Digital Revolution & Tech War

- ▶ Well positioned to take advantage of long-term trends, accelerated by Covid
- ▶ As opposed to old economy companies with offline businesses, not able to compete with internet giants

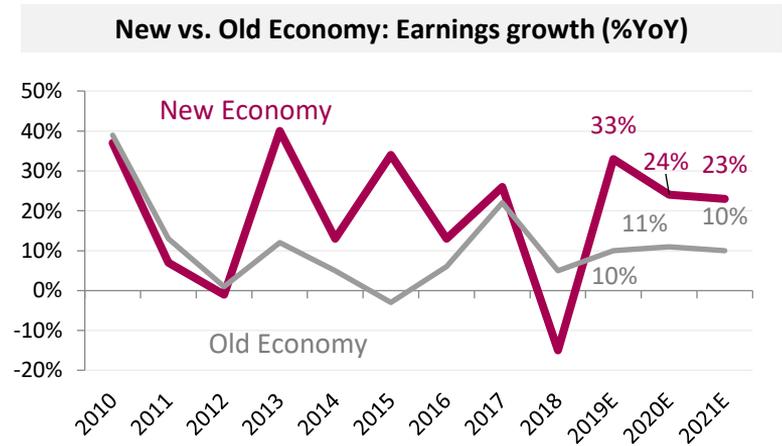
## Carmignac Emergents Thematic Breakdown



Portfolio composition may vary over time.  
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  
Source : Carmignac 30/09/2020

# Investment Focus in China: Favoring New Economy Leaders in Sustainable, High Growth Market Segments

 <p><b>New Economy</b></p> <ul style="list-style-type: none"> <li>• 46 GICS sub sectors</li> <li>• 2104 companies</li> <li>• \$4,7 trn market cap</li> </ul>	 <p><b>Old Economy</b></p> <ul style="list-style-type: none"> <li>• 99 GICS sub sectors</li> <li>• 2991 companies</li> <li>• \$ 6,9 trn market cap</li> </ul>
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-  **Internet Services (eCommerce, classifieds, food delivery)**
-  **Consumption**
-  **Fintech (payment & cloud)**
-  **5G**
-  **Clean Energies**
-  **Healthcare & Biotech**
-  **Education**

# Carmignac Emergents - Top Convictions



## Leading South East Asia ecommerce player

- ▶ Solid positioning on its main businesses
  - ▶ eCommerce (Shopee - No.1 market share in terms of total orders in 2019)
  - ▶ Online gaming (Garena - No.1 market share in terms of gaming revenues in 2019)

## Quality ratios

- ▶ 2019 online sales growth: +94%
- ▶ 2019 gaming revenues: \$ 1 767m, +167% YoY growth



## Global tech components leader with a technology leadership

- ▶ N. 1 in flagship DRAM and NAND memory chips, which are essential components in 5G phones and servers
- ▶ Beneficiary of China/ US tech war

## Quality financial ratios for 2019

- ▶ FCF yield: 6%
- ▶ Net cash balance sheet: net cash/ market cap 25%



## Leading Chinese electric vehicles producer

- ▶ Strong brand image: “The Chinese Tesla”
- ▶ Beneficiary of Chinese government’s strong ambitions / targets in the EV sector\*:
  - increase EV sales to 7m units by 2025, up from 1.1m today (2020e)
  - Increase EV penetration from 4.5% (2020e) to 25% (2025e)

## Quality ratios

- ▶ 5000 new EV orders vs 11 000 for Tesla in China
- ▶ 2019 sales growth: +181%



Portfolio composition may vary over time.  
\*Chinese State Council, “节能与新能源汽车产业发展规划(2012–2020)” [Energy Saving and New Energy Auto Industry Development Plan (2020-2025)]  
Source: Carmignac, Bloomberg, JPM Research, company data 31/08/2020

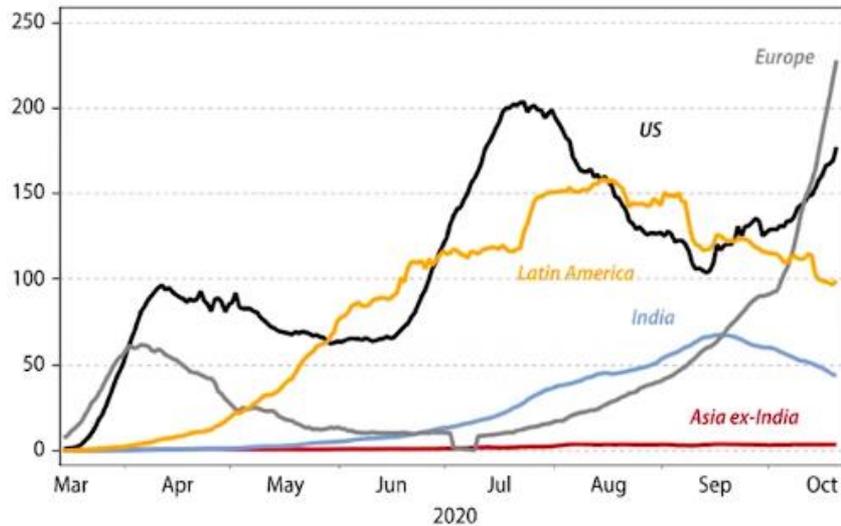
# Q&A



# Stars Aligned for Emerging Markets?

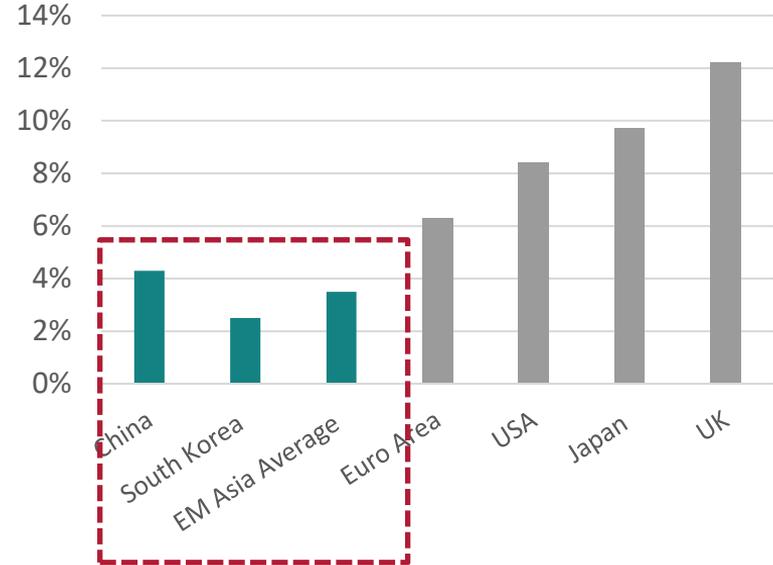
## BETTER MANAGEMENT OF PANDEMIC ESPECIALLY IN ASIA

Covid Cases per million of population  
(7day moving average)



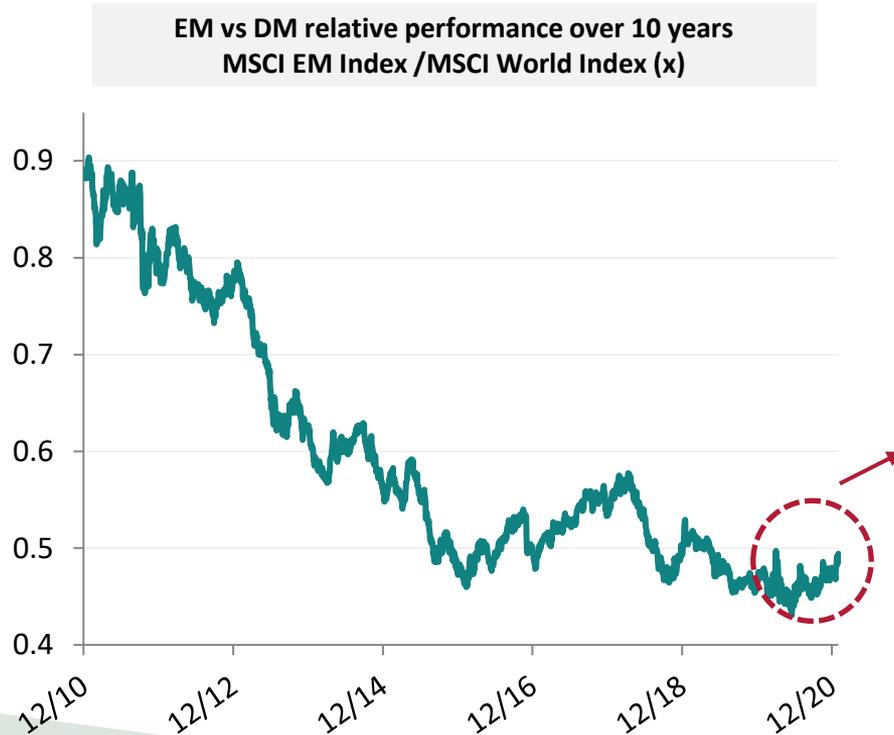
## BETTER GROWTH PROSPECTS DESPITE LESS SIZEABLE STIMULUS PACKAGES

Estimated 2020 Stimulus Package,  
% of GDP



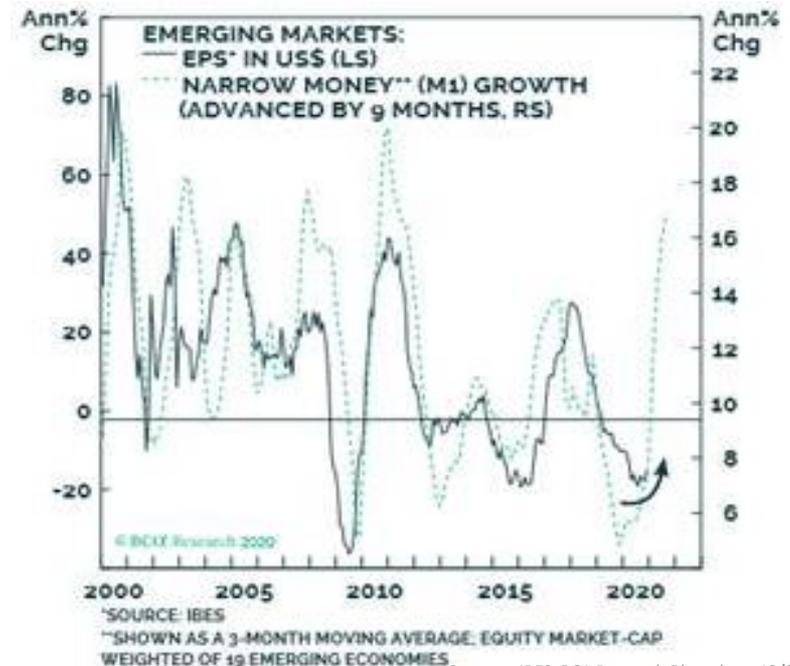
# A Favourable Context After 10 Year of Underperformance

2020 REBOUND IS NOT SIGNIFICANT  
COMPARED TO 10 YEAR UNDERPERFORMANCE TREND



IMPROVING EARNINGS PICTURE  
IN EMERGING MARKETS

Correlation between EM EPS in USD and global liquidity  
(measured by M1 growth)

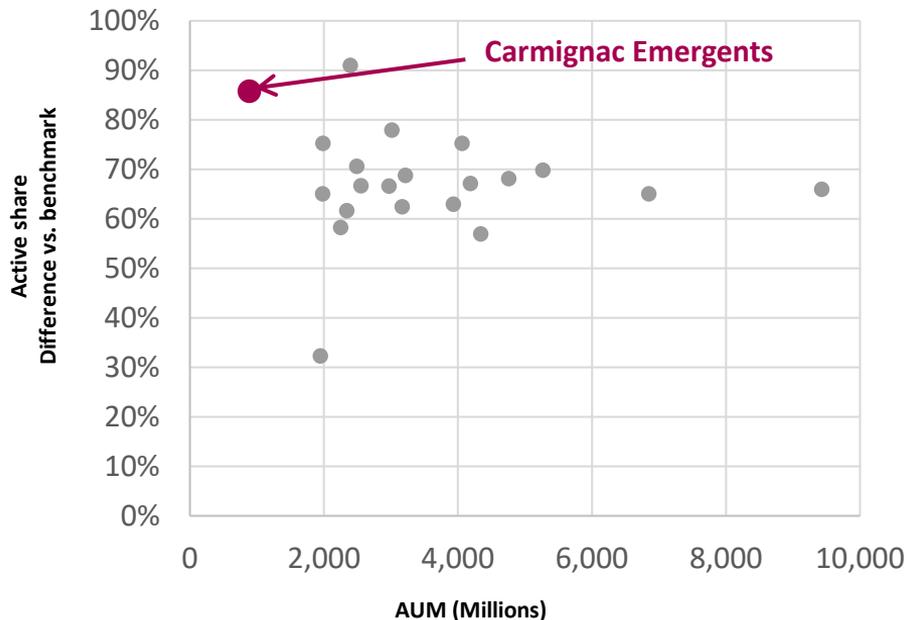


Source : IBES, BCA Research Bloomberg 12/01/2021

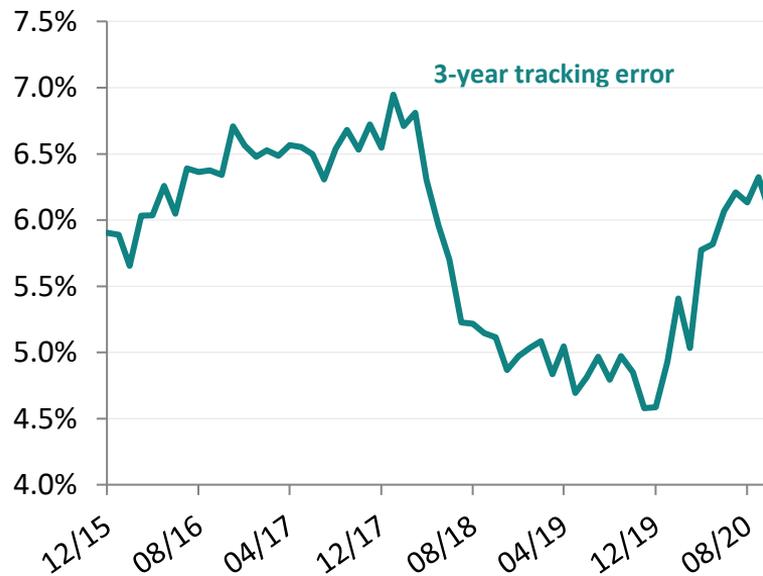
# Result of our approach: A High Active Share

Carmignac Emergents can offer diversification & complementarity

Active share of Carmignac Emergents and main competitors



Carmignac Emergents: Evolution of 3-year tracking error



\*Reference indicator: MSCI EM NR USD, net reinvested dividends  
Sources:

LHS: 30/10/2020. Peer Group is composed of active funds with highest AUMs in the Morningstar Category : Emerging Markets Equity. Excluding passive/index tracking funds & small cap funds. Calculation benchmark used: MSCI EM.

33 RHS: 30/10/2020; Base 100 31/08/2011 Performance of the A EUR acc share class. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding applicable entrance fee acquired to the distributor).

# Performance by Calendar Year

## Carmignac Emergents – A EUR Acc

Recommended minimum investment horizon: **5** years



### CALENDAR RETURNS

A EUR Acc	2015	2016	2017	2018	2019	2020
<b>Carmignac Emergents</b>	+5.2%	+1.3%	+18.8%	-18.6%	+24.3%	+44.7%
<b>Ref. Indicator*</b>	-5.2%	+14.5%	+20.6%	-10.3%	+20.6%	8.5%

<i>Annualized</i>	3 years	5 years	10 years
<b>Carmignac Emergents</b>	+13.63%	+12.08%	+6.65%
<b>Reference Indicator*</b>	+5.50%	+10.15%	+4.05%

Source: Carmignac 31/12/2020. Carmignac Emergents A EUR Acc (ISIN: FR0010149302). Reference indicator: MSCI EM NR USD. Daily returns in EUR as of 31/12/2020. Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

# Performance by Calendar Year

## Carmignac Portfolio Emergents – F EUR Acc

Recommended minimum investment horizon: **5** years



### CALENDAR RETURNS

F EUR Acc	2015	2016	2017	2018	2019	2020
<b>Carmignac Portfolio Emergents</b>	+3.9%	+1.7%	+19.8%	-18.2%	+25.5%	+44.9%
<b>Ref. Indicator*</b>	-5.2%	+14.5%	+20.6%	-10.3%	+20.6%	8.5%

<i>Annualized</i>	3 years	5 years
<b>Carmignac Portfolio Emergents</b>	+14.12%	+12.62%
<b>Reference Indicator*</b>	+5.50%	+10.15%

Source: Carmignac 31/12/2020. Carmignac Portfolio Emergents F EUR Acc (ISIN: LU0992626480). Reference indicator: MSCI EM NR USD. Daily returns in EUR as of 31/12/2020. Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

# Carbon calculations methodology

- ▶ Carbon emission figures are based on S&P Trucost data. The analysis is conducted using estimated or declared data measuring Scope 1 and Scope 2 carbon emissions, excluding cash and holdings for which carbon emissions are not available.
- ▶ To determine carbon intensity, the amount of carbon emissions in tonnes of CO<sub>2</sub> is calculated and expressed per million dollar of revenues (converted to Euro). This is a normalized measure of a portfolio's contribution to climate change that enables comparisons with a reference indicator, between multiple portfolios and over time, regardless of portfolio size.
- ▶ Fossil fuel % revenue is derived weighted average of % revenues excluding cash of each holding within the portfolio
- ▶ S&P Trucost methodology: Trucost uses company disclosed emissions where available. In the instance it is not available, they use their proprietary EEIO model. The model uses the revenue breakdown of the company by industry sector to estimate the carbon emissions. For further information, please visit: [www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf](http://www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf). Although S&P Trucost does report Scope 3 emissions where available, such emissions are commonly considered to be poorly defined and inconsistently calculated by companies. As a result, we have chosen not to include them in our portfolio emission calculations.

## Definitions:

- ▶ Scope 1: Greenhouse gas emissions generated from burning fossil fuels and production processes which are owned or controlled by the company.
- ▶ Scope 2: Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company
- ▶ Scope 3: Other indirect Greenhouse gas emissions, such as from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc

# Main risks of the fund

## Carmignac Emergents

Recommended  
minimum investment  
horizon: **5** years



### 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.**

Share class A EUR Acc

Source: Carmignac at 31/12/2020  
Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment.  
This indicator may change over time.

# Main risks of the fund

## Carmignac Portfolio Emergents

Recommended  
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**The Fund presents a risk of loss of capital.**

Share class F EUR Acc

Source: Carmignac at 31/12/2020  
Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment.  
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*MSCI ESG Research has developed a proprietary methodology in order to issue Carbon Portfolio Analytics, which is based on are based on a variety of aggregation methodologies of the underlying covered holdings from the portfolio in-scope. MSCI ESG Research collects carbon emissions (in other words, greenhouse gas emissions) data for the companies in our coverage universe. Data is collected once per year from most recent corporate sources, including Annual Reports, Corporate Social Responsibility Reports or websites. In addition, MSCI ESG Research uses the carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) or government databases when reported data is not available through direct corporate disclosure. When companies do not disclose data, MSCI ESG Research refers proprietary methodologies to estimate Scope 1, Scope 2, Upstream Scope 3, and Downstream Scope 3 carbon emissions. By incorporating estimation in the methodologies used, Carmignac acknowledges that metrics determined could be assessed as relative rather than objective. Nevertheless, Carmignac confirms that the use of MSCI ESG Research permits to identify and follow the carbon emission of portfolios in comparison to relevant reference indicator or low carbon benchmark defined.*

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Investment management company approved by the AMF -Public limited company with share capital of € 15,000,000 - RCS Paris B 349 501 676

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