

CARMIGNAC SÉCURITÉ

1. POSITIONING

Against a backdrop of resolutely hawkish central banks to curb high inflation, fears of recession, rising cost of capital, supply chain disruptions and fears of Russian gas cut-off, Carmignac Sécurité has a cautious positioning. The fund maintains a low sensitivity to interest rates with short positions concentrated on the short end of the German curve and on non-core countries, and we keep a high level of protection on credit markets and a significant cash allocation.

- **Sovereign bonds: a positioning to protect the fund from interest rate volatility.**
 - **Low modified duration around 0.5 with a short bias on eurozone sovereigns** (Germany, France, Italy, and Spain) since the ECB will probably remain focused on fighting inflation, at least in the near term
 - **Long EUR inflation break-even strategies, albeit reduced recently**, as a hedge against inflation overshoot
- **Credit: a corporate bond allocation centered on three convictions: energy, financials, and CLOs.**
 - **Energy and natural resources sectors.** This sector is well diversified, with attractive valuations and should contribute to the fund's performance even in an inflationary context. Some issuers in this sector offer an incredible combination of strong (and improving) fundamentals, limited duration and very wide spreads. The exposure to this sector is currently 7.4% (excluding Russia) for an average yield of around 5.1% with Total Energie, Repsol or ENI as the top issuers.
 - **Financials.** Bank profitability should be supported by steeper sovereign curves, the opportunity to lend secured at attractive spreads to companies with limited capital market access, and the end of negative deposit rates. The exposure to this sector is 18.4% for an average yield of c. 5.2%.
 - **CLOs.** Tranches of Collateralized Loan Obligations offer very attractive returns, **being protected from rising rates** (as they're floating instruments) and whose structures

protect against massive increases of default rates (well in excess of our already conservative scenario). The exposure is 8.3% for an average yield of about 3.2%.

- **Hedging positions via CDS on HY indices** to protect the portfolio against the risk of further market dislocations. The combination of recession risk, high inflation, interest rate volatility and fears of gas supply interruption should continue to weigh on credit markets, despite increasingly attractive valuations.
- **An over 30% allocation to cash and cash equivalents**, enabling us to once again seize investment opportunities as soon as we have more visibility.
- **Residual exposure to Russia** (mainly Gazprom):
 - Russian bond prices quickly dropped to levels that we believe are below the recovery rate in the event of default. We therefore decided to hold on to our remaining paper, which account for 1.7% of the portfolio for an average price of 48c.
 - We will further reduce exposure when prices are no longer being impacted by a dislocated market and extremely harsh implied recovery rates.
- An average yield on our portfolio that now sits at around 3.5% (inc. Russia) and almost 3.1% excluding Russia – the highest in nearly ten years – reflecting our Fund's capacity to generate returns in the coming months.

2. PERFORMANCE

2022 Performance as of 31/08/2022 | Carmignac P. Sécurité AW EUR share class at -5.61% vs -3.08% for the reference indicator (ICE BofA ML 1-3 ans All Euro Government Index)

- The portfolio was mainly impacted by its exposure to the Russian bond complex (mainly Gazprom). Despite a limited exposure of 3.8% concentrated on short maturities (up to 5 years), the sharp decline in Russian bonds has had a significant impact on the fund's performance. The exposure is now 1.8% at an average price of 49c.
- The last two weeks of June, which saw a sharp decrease of rates and a widening of spreads, had a particular impact on our positioning where our **short positions on core countries** (the US, Germany, and to a lesser extent France) **dented our returns as well as our credit bucket despite our CDS protections.**

Calendar years :

	Fund	Ref. indicator		Fund	Ref. indicator
2012	+5.24%	+4.53%	2018	-3.00%	-0.29%
2013	+2.56%	+1.76%	2019	+3.57%	+0.07%
2014	+1.69%	+1.83%	2020	+2.05%	-0.15%
2015	+1.12%	+0.72%	2021	+0.22%	-0.71%
2016	+2.07%	+0.30%	QTD 2022	+1.95%	-0.78%
2017	+0.04%	-0.39%	YTD 2022	-5.61%	-3.08%

Annualised performances :

	Fund	Reference indicator
3 years	-1.11%	-1.50%
5 years	-0.61%	-0.87%
10 years	+0.61%	+0.16%

Source: Carmignac, 31/08/2022. Performance of the AW EUR acc share class ISIN code: FR0010149120. ¹Reference indicator: ICE BofA ML 1-3 ans All Euro Government Index. **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).**

MAIN RISKS OF THE FUND

Interest rate: Interest rate risk results in a decline in the net asset value in the event of changes in interest rates. **Credit:** Credit risk is the risk that the issuer may default. **Risk of capital loss:** The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase. **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. The Fund presents a risk of loss of capital.

Recommended minimum investment horizon: 



Share Class	Ongoing charges ²	Exit charges	Performance fees	Max. subscription Fee ³
A EUR Acc	0.91%	0.00%	No	1.00%

(2) Ongoing charges are based on the expenses for the last financial year ended. They may vary from year to year and do not include performance fees or transaction costs. (3) Entry charges shown are the maximum subscription fee payable to third parties. No redemption fees.

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