

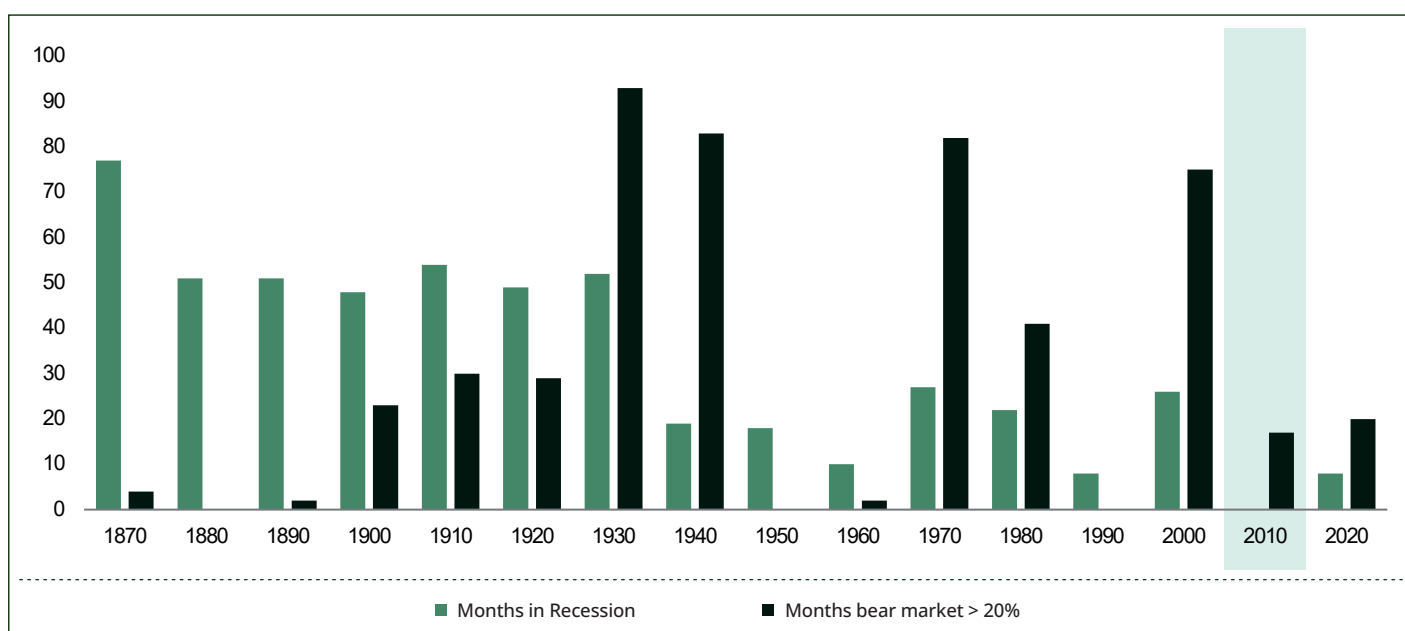
MULTI-ASSET PORTFOLIOS FACE THEIR DESTINY

For the past decade leading up to 2020, multi-asset investing – epitomized by the classic 60/40 portfolio (60% equities, 40% bonds) – thrived under a stable macroeconomic paradigm. This period was characterized by falling inflation, falling interest rates, and strong diversification benefits between stocks and bonds. Central banks maintained an easing bias, responding to market stress with rate cuts and liquidity injection, which helped contain volatility and support asset prices. Then, Covid happened and the market and economy changed paradigm in 2022. Let's explore what impact this paradigm change had on multi-asset funds and how Carmignac has adapted to this new risk management pattern.

THE GREAT MODERATION: HOW FORTY YEARS OF STABILITY REDEFINED MARKETS

For nearly four decades, investors lived through an era that, in hindsight, looked almost too good to be true. Beginning in the mid-1980s, the global economy shifted into what economists would later call the Great Moderation — a period when growth became slower but more stable, and inflation steadily declined. **This culminated in an almost perfect decade in the 2010s, marked by steady expansion, no recession, and scarcely a bear market in sight.**

RECESSION AND EQUITY BEAR MARKETS IN THE US



Source: Bloomberg, Carmignac, September 2025

A WORLD RE-ANCHORED

Ben Bernanke popularized the phrase Great Moderation, before he became the Federal Reserve (Fed) Chair, to describe this remarkable reduction in macroeconomic volatility. But what, precisely, made it possible? In our view, three forces reshaped the landscape:

- **Disinflation became structural.** Volcker's shock therapy in the early 1980s, combined with a global savings glut, broke the back of runaway inflation. Globalization and technology then reinforced disinflation: offshoring held down labour costs, while productivity gains curbed wage growth. By the late 1990s, the world had entered an era of 'lowflation' that persisted well into the 2010s.
- **Growth became boring—in the best way.** Gone were the whiplash cycles of post-war boom and stagflationary bust. Output volatility shrank. Expansions were modest but stable, culminating in the recession-free decade of the 2010s.
- **Central banks became trusted anchors.** The growing independence of institutions like the Fed and the European Central Bank (ECB) cemented their credibility. With inflation at or below targets, whether explicit or implied markets believed monetary authorities could contain shocks. That trust allowed rates to fall without igniting fears of inflation spirals or undermining the disinflationary consensus.

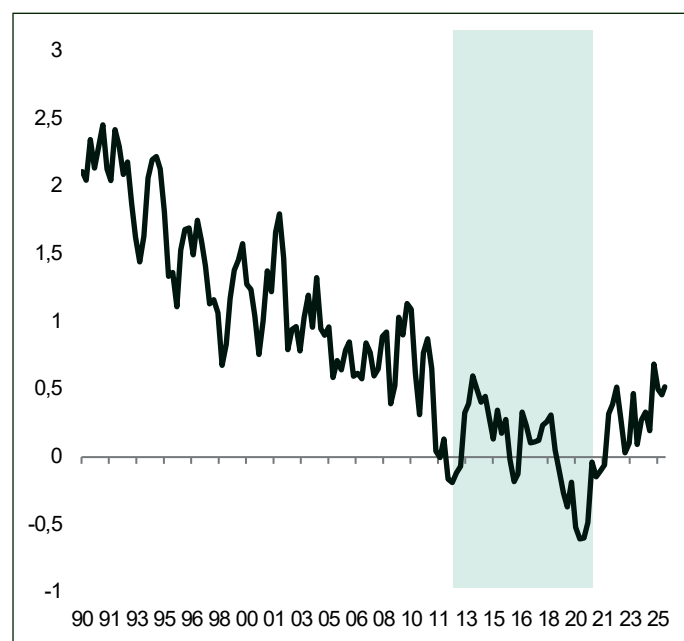
2010s: THE GOLDEN AGE OF THE 60/40

For asset allocators, the consequences were transformative. The steady collapse in yields sparked one of the greatest bond bull markets in history. From the early 1980s' double-digit coupons to near-zero rates by the 2020s, sovereign debt delivered not just income but consistent capital gains.

Quantitative easing after the 2008 financial crisis accelerated the trend. By flooding the system with liquidity, central banks compressed term premia further. What once had been a structural positive return for bearing duration risk turned negative. Yet demand remained insatiable, driven not only by the global saving glut and return-seeking investors, but by central banks themselves—price-insensitive buyers who rewrote the playbook.

Falling yields not only delivered consistent capital gains, but also provided a reliable hedge against equity drawdowns. The stock-bond correlation dropped, strengthening the classic 60/40 portfolio, which thrived in almost every market environment.

US TERM PREMIUM 10 YR



Source: Bloomberg, Carmignac, September 2025.

2022: A PARADIGM SHIFT – INFLATION SHOCK AND THE 60/40 COLLAPSE

The shift had its roots in the post-pandemic recovery. Massive fiscal stimulus collided with strained supply chains, creating a combustible mix. Russia's 2022 invasion of Ukraine poured fuel on the fire, unleashing a commodity shock that reverberated through energy, sea shipping and food markets.

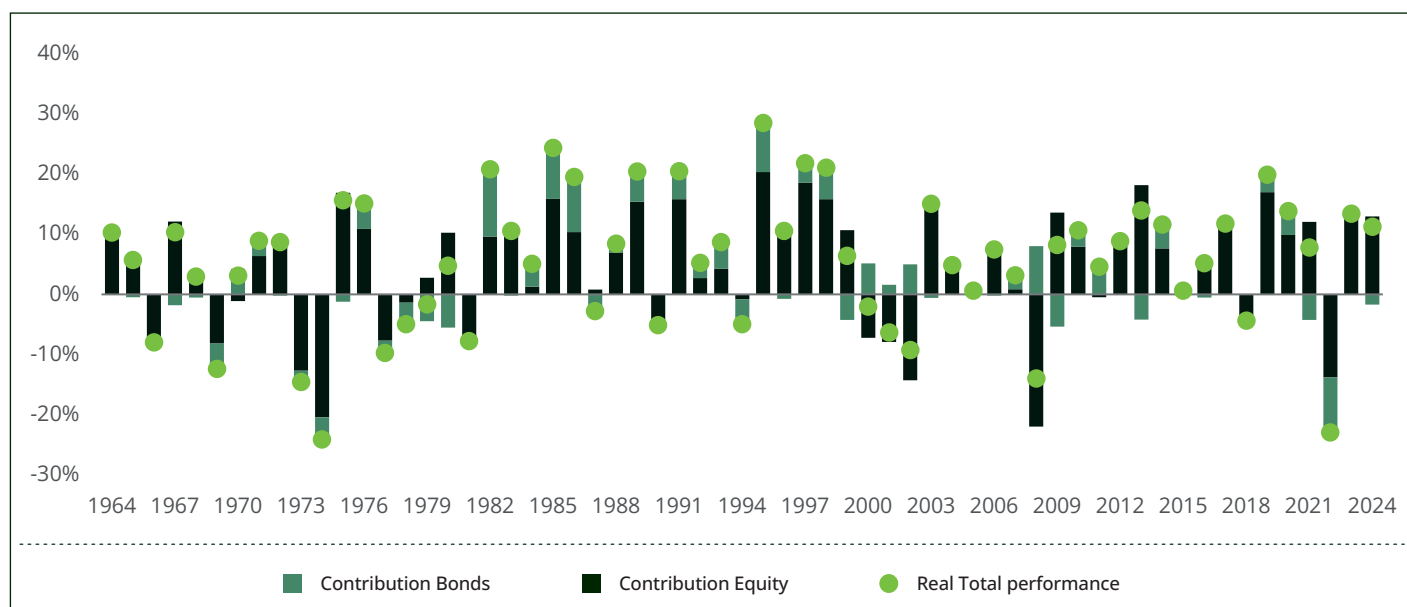
Inflation surged. By mid-2022, U.S. prices were climbing over 9% year-on-year pace—the highest in four decades. The shock was global, but it was also structural: globalization retreated amid trade frictions, reshoring, demographics, and geopolitical rivalry; commodities strained under supply limits; and fiscal dominance moved from theory to reality. **The low-inflation backdrop that had supported balanced portfolios was gone.** Central banks had no choice but to mount their sharpest tightening since the early 1980s, ratcheting up policy rates at a pace markets had nearly forgotten.

A HISTORIC DRAWDOWN FOR MULTI-ASSET PORTFOLIOS

The consequences for markets were devastating. For the first time in over two decades, stock-bond correlations turned positive. Rising yields weighed on bonds as inflation pressures unsettled equities. Rather than diversifying risk, bonds offered little relief—the traditional duration cushion proved elusive just when investors needed it most.

Global equities fell by about 20%, matched by a similar decline in global bonds, all while inflation stayed above 6%. Balanced funds, long seen as havens of stability, offered limited protection. A traditional U.S. 60/40 portfolio lost over 20% in real terms in 2022—its steepest setback in generations. Barring the oil shocks of the 1970s, one would have to look back to the Great Depression or World War II for a comparable outcome. **2022 marked the second-worst year for 60/40 real returns since 1950.**

60/40 CALENDAR REAL PERFORMANCE



Source: Stern NYU, Carmignac, 2025.

IMPLICATIONS: RETHINKING MULTI-ASSET PORTFOLIOS AND RISK MANAGEMENT

It would be misleading to see 2022 as a one-off accident driven by pandemic aftershocks, war, and commodity volatility. Beneath the headlines, structural forces were already reshaping the investment landscape. The disinflationary tailwinds of globalization, demographics, and abundant global savings had reversed. Ageing populations have shrunk workforces and strained public finances; supply chains were fragmenting under geopolitical pressure; and the energy transition was investment-heavy and inflationary. These forces pointed to inflation volatility as a persistent feature, not a passing disruption. At the same time, the macro policy regime had shifted. The credibility of central banks during the Great Moderation rested on “monetary dominance,” yet record

sovereign debt levels now bind monetary and fiscal policy together. In such a world of “fiscal dominance”, tolerance for higher inflation is structurally greater, while the stabilizing role of sovereign bonds was less reliable. The negative stock-bond correlation that once underpinned balanced portfolios was never a law of nature, but a product of a low-inflation era. With inflation shocks back, correlation regimes were unstable—and **resilient portfolios demanded explicit inflation hedges, flexible risk management, and a broader toolkit than the traditional 60/40.**

At Carmignac, we recognized that the investment landscape had changed fundamentally. Standing still was not an option. **In 2023, we acted decisively, reshaping our organization and bringing in a new portfolio management team capable of navigating this environment.**

BEYOND SAFE HAVENS: THE NEW ROLE OF BONDS

Contrary to popular belief, **an inflationary economic climate is not bad news for fixed income**. Abrupt shifts in inflation typically drive pronounced moves in bond prices, creating opportunities for flexible and active strategies. Investors who closely track the business cycle can position themselves effectively in such regimes—whether through real rates, yield-curve steepening, floating-rate instruments, carefully selected credit exposures, or by taking negative duration positions.

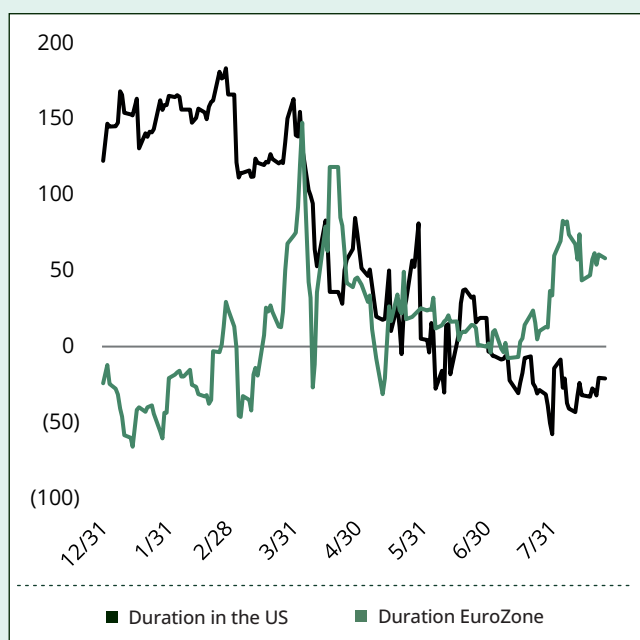
Seizing these opportunities, however, requires flexibility: the ability to pivot across duration, credit, and inflation sensitivity. Carmignac Patrimoine was designed with this in mind. With a **duration range spanning from -4 to +10**, it offers the breadth needed to implement diverse strategies and navigate disinflationary as well as inflationary phases.

To navigate this new environment, we turned to **Eliezer Ben Zimra** and **Guillaume Rigeade**, two experienced and flexible fixed income managers whose approach was rooted in active risk management. Instead of distorted yields pinned down by central bank policies, we faced markets that once again reflected genuine risk pricing. In such an environment, success depended on:



- **MACRO INSIGHT:** aligning portfolio positioning with the business cycle, rather than assuming bonds will always serve as an equity hedge.
- **ACTIVE MANAGEMENT:** seizing opportunities in spread, rate, and curve volatility instead of passively collecting ever-thinner coupons.

CARMIGNAC PATRIMOINE DURATION IN 2025



Source: Carmignac, September 2025.

The start of 2025 underlined that fixed income flexibility was no longer a luxury but a necessity. The German government's surprise fiscal stimulus triggered the sharpest weekly rise in Bund yields since the 1990s, while in the U.S., the "Liberation Day" tariffs sparked first a rally and then the steepest surge in Treasury yields in more than four decades. These abrupt moves showed how policy shocks can rapidly overturn market narratives and inflict heavy losses on traditional, benchmark-constrained bond portfolios. By contrast, a flexible approach—like being short European rates ahead of the German package and short U.S. rates after the Liberation Day measures—turned volatility into opportunity, protecting against drawdowns while capturing alpha. In today's environment, where fiscal decisions and political events reshape curves overnight, **adaptability across geographies, maturities, and instruments is the defining edge in fixed income investing.**

EQUITIES, THE BACKBONE OF MULTI-ASSET

In the coming cycle, risky assets are likely to offer greater diversification across sectors, regions, and factor premia. Bond yields will heighten the relevance of valuation discipline, with market leadership concentrating in firms delivering real earnings growth and durable pricing power. At the same time, **artificial intelligence (AI) is emerging as one of the most powerful structural forces reshaping the economy and businesses globally**. Its rapid adoption will not only redefine operating models across industries but also transform equity markets. This underscores the need to look beyond current fundamentals to anticipate how business models, competitive dynamics, and value chains might evolve. **Equities remain a strategic allocation, but valuation excesses and speculative dynamics demand active management of exposures and risk budgets.**

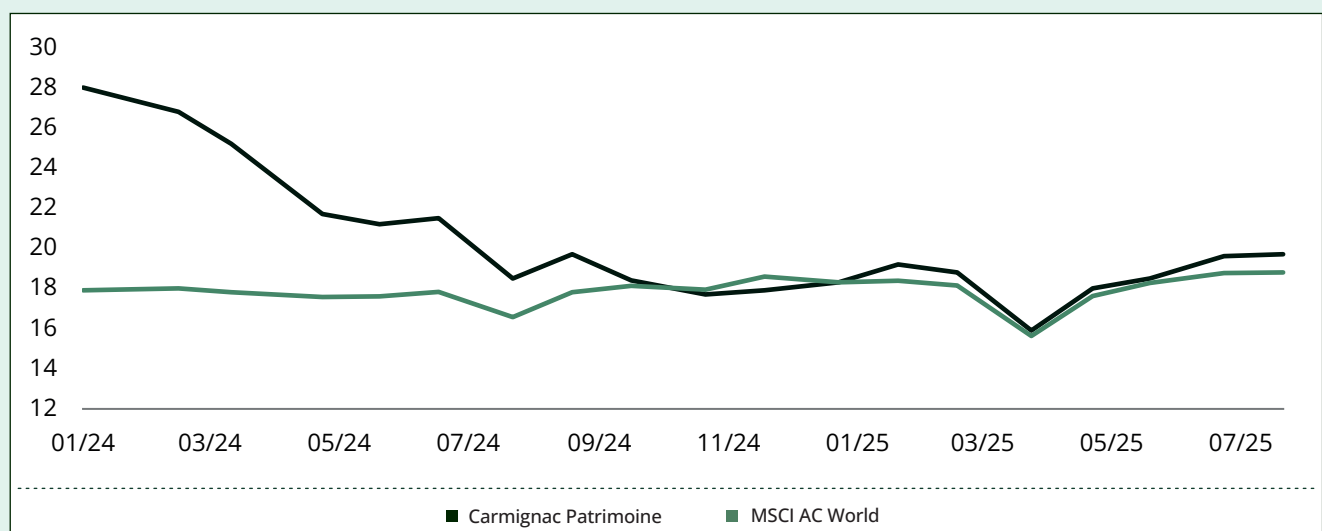
Carmignac's equity capabilities were further strengthened with the arrival of **Kristofer Barrett in April 2024**, an experienced Fund Manager with an outstanding track record across global and emerging markets. His expertise brought a new dimension to our strategy at a time when equity markets were set to undergo profound structural shifts.



Kristofer's philosophy stands apart: he applies no rigid constraints when it comes to sector, region, market capitalization, or style. Instead, he focuses on identifying companies that can sustain long-term growth through innovation, technological leadership, and distinctive competitive advantages—always with profitability as a guiding principle. Technology remains a central theme in his allocation, with companies across the digital value chain continuing to emerge as winners of the global transformation but with a special focus on valuation. Since his appointment to manage Carmignac Patrimoine, Kristofer has narrowed the valuation gap within the portfolio while still maintaining an active stance in technology, with around 35% exposure as of the end of September 2025.

Rejecting speculative segments lacking profitability, Kristofer acknowledges short-term market irrationality but remains anchored in rational, long-term analysis—an approach well suited to the structural shifts that will define equity markets over the coming decades.

EVOLUTION OF P/E RATIO NTM



Source: Carmignac, September 2025.

PORTFOLIO CONSTRUCTION IN AN ERA OF SUDDEN SHOCKS

In the new paradigm, **portfolios need active overlays and tactical flexibility** rather than a static allocation. As traditional hedges are questioned, tail protection plays a crucial role here: dedicated allocations to long volatility, macro hedges, or safe-haven assets like gold, or commodities can act as “crisis risk offsets,” cushioning portfolios during equity–bond drawdowns or inflation shocks. While these hedges carry a cost in calm markets, recent years have shown their ability to deliver alpha when volatility surges. Ultimately, the emphasis shifts **from passive reliance on correlations to proactive risk management**—ensuring the portfolio remains both opportunistic and protected in an uncertain world.

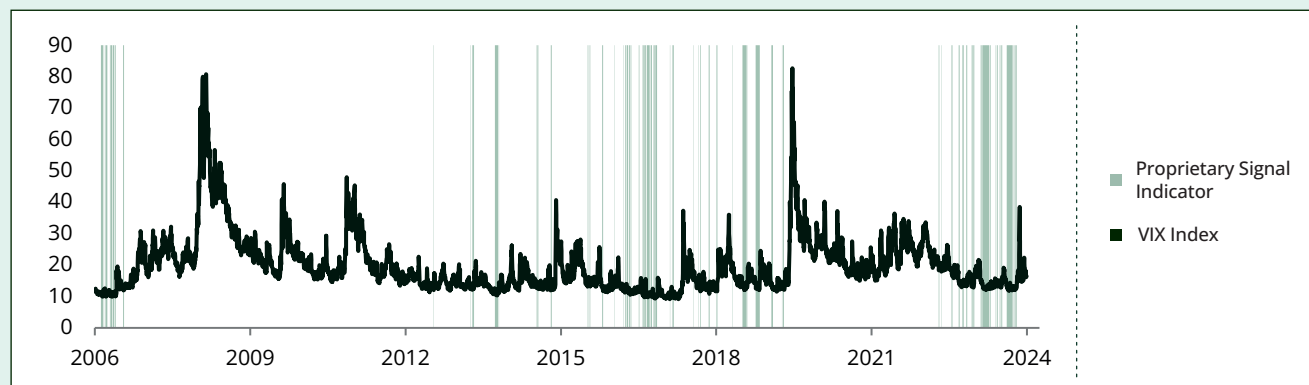
The increasing sophistication and complexity of investment instruments led Carmignac to strengthen its expertise with the appointment of **Jacques Hirsch** to manage Carmignac Patrimoine in September 2023. Historically, the Fund’s mandate had already offered broad flexibility. Jacques, however, has brought a complementary approach by seeking convexity through options as well as diversifying into alternative asset classes such as gold and volatility. **Beyond diversifying equity exposure and implementing top-down alpha ideas, his focus has also been on securing cost-efficient portfolio protection while ensuring coherent global portfolio construction.**



This philosophy reflected a fundamental **shift in market dynamics: the financial system has become more prone to frequent disruptions, yet also capable of rapid recoveries**. We are now in an environment of structurally lower average volatility, driven by central bank interventions, abundant liquidity, and the growing weight of passive strategies. Yet this apparent calm is deceptive—when it breaks, it does so abruptly, triggering sudden and severe shocks. In this “new normal,” risk management cannot be limited to protecting capital during drawdowns. Equally critical is the ability to re-expose the portfolio swiftly, to capture the sharp rebounds that often follow.

Within this framework, options stand out as being particularly attractive, and volatility has proven to be a valuable hedge. Jacques has implemented a disciplined approach to acquiring VIX hedges, ensuring that the portfolio is consistently protected against increasingly unlikely yet impactful risks. Recent market dislocations, such as the sharp carry trade crisis in August 2024 and the Liberation Day drawdown in April 2025, have provided real-life stress tests for this strategy. In both instances, risk management proved effective: during the Liberation Day shock, **Carmignac Patrimoine’s maximum drawdown was limited to -4.67%, compared with -9.36% for its reference indicator and -16.28% for the MSCI AC World**. This resilience reflected contributions from all asset classes, while VIX options alone adding close to 1% in absolute performance during the shock.

STRATEGIC ALLOCATION TO VIX HEDGES



Source: Carmignac, September 2025. Reference indicator: 40% MSCI AC World NR index + 40% ICE BofA Global Government index + 20% ESTR Capitalized index.

MAIN RISKS OF CARMIGNAC PATRIMOINE

SFDR Fund Classification**

ARTICLE 8



Recommended minimum investment horizon:

3 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. **INTEREST RATES:** 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. **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.

COMPOSITION OF COSTS OF CARMIGNAC PATRIMOINE

ISIN Code - FR0010135103

One-off costs upon entry or exit	
Entry costs	4.00% of the amount you pay in when entering this investment. This is the most you will be charged. Carmignac Gestion does't charge any entry fee. The person selling you the product will inform you of the actual charge.
Exit costs	We do not charge any exit fees for this product.
Ongoing costs taken each year	
Management fees and other administrative or operating costs	1.50% of the value of your investment per year. This estimate is based on actual costs over the past year.
Transaction cost	0.79% of the value of your investment per annum. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on how much we buy and sell.
Incidental costs taken under specific conditions	
Performance fees	20.00% max of the outperformance once performance since the start of the year exceeds that of the reference indicator, even if negative, and if no past underperformance still needs to be offset. The actual amount will vary depending on how well your investment performs. The estimate of aggregated costs above includes the average for the last five years.

Source: Carmignac, 30/09/2025. *KID (Key Information Document) risk scale. Risk 1 does not mean a risk-free investment. This indicator may change over time. **SFDR (Sustainable Finance Disclosure Regulation) 2019/2088. For more information, visit: <https://eur-lex.europa.eu/eli/reg/2019/2088/oj?locale=fr>. (1) Ref. Indicator: 40% MSCI AC World NR (USD) (net dividends reinvested), 40% ICE BofA Global Government Index (USD) (coupons reinvested), 20% capitalised ESTER. Rebalanced quarterly. Past performance is no guarantee of future performance. They are net of fees (excluding any entry fees applied by the distributor).

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Investment management company approved by the AMF. Public limited company with share capital of € 13,500,000 - RCS Paris B 349 501 676.

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