

LETTER FROM EDOUARD CARMIGNAC

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EDOUARD CARMIGNAC'S LETTER

Edouard Carmignac writes on current economic, political and social issues each quarter.

Paris, January 1, 2016

Dear Investor,

As you may recall, we adopted a highly cautious stance in September, having concluded from our analysis that markets were moving onto increasingly shaky ground. The global rebound in equities into the year-end surprised us and viewed as largely complacent. How long could markets defy gravity?

Well, now we know. With the yuan's recent slide, investors became aware once again of the threat China's sagging growth rate represents to the global economy, this renewed bout of weakness occurring only two weeks after the Federal Reserve finally felt it could afford to start gradually raising its key interest rates. This initial contraction in global liquidity is happening while the US recovery is showing increasing signs of losing momentum, when most commodity prices are in free-fall – jeopardising several heavily-indebted emerging economies in the process – , and when fiscal consolidation programmes in Europe are increasingly coming under fire. To make matters worse, the

mass influx of migrants has put Angela Merkel, the pivotal figure in EU governance today, in a weakened position.

At current valuations, most equity markets fail in our view to reflect the actual risk build-up. We will continue to exercise extreme vigilance and caution, as our primary concern remains the protection of your capital in what promises to be a troubled period. Great investment opportunities will emerge, and we will endeavour to seize them.

The schizophrenic behaviour we are now witnessing in financial markets is being driven by the diabolical mating of fear and greed. I hereby wish to express my gratitude for your support over the past few months, when our prudence may have been felt excessive. With the market turmoil ahead, your ongoing trust will be paramount.

Rest assured that we will deploy our best efforts to continue earning it. Wishing you a happy and relatively serene new year,

Yours truly,



Edouard Carmignac

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