QUARTERLY REPORT

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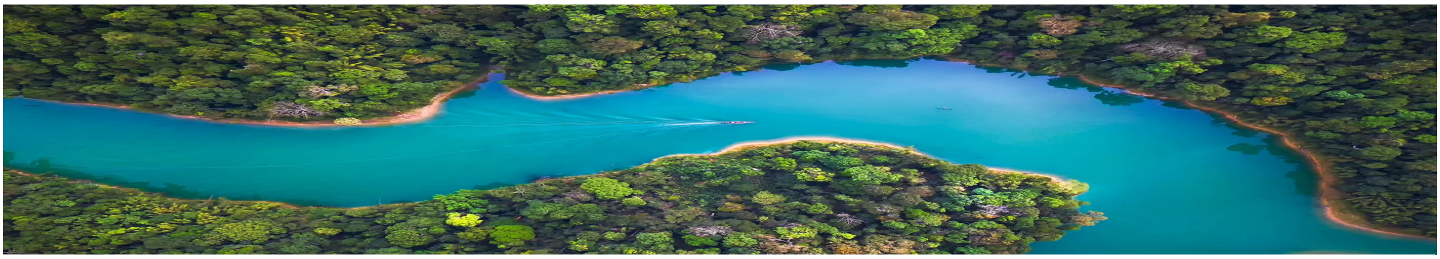

Carmignac P. EM Debt: Letter from the Fund Manager

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-9.82%

Carmignac P. EM Debt's performance

in the 2nd quarter of 2022 for the A EUR Share class

-2.75%

Reference indicator's performance

in the 2nd quarter of 2022 for JP Morgan GBI – Emerging Markets Global Diversified Composite Unhedged EUR Index

+1.95%

Annualized performance of the Fund over 3 years

versus -3.07% for the reference indicator

In the second quarter of 2022, Carmignac Portfolio EM Debt recorded a negative performance of -9.82%,[1] compared to a -2.75% decline in its reference indicator (JP Morgan GBI – Emerging Markets Global Diversified Composite Unhedged EUR Index).

Quarterly Performance Review

The second quarter continued to be largely driven by what we saw in the first quarter of 2022, namely the aftermath of the Russian invasion of Ukraine on risky assets and commodities, and the monetary tightening that led to a volatility shock in the rates markets. **During the quarter the US dollar (USD) reaffirmed its dominance in a risk-off environment and a FED in advance in its hiking cycle relative to the ECB or the BoJ. High commodity prices, higher rates, a slow restart of the Chinese economy and the uncertain energy supply for Europe all have contributed to increased fears of a global recession.**

In this context the **EM FX despite its high rates and carry has performed largely negatively in the second quarter. Commodity exporters in particular, have not been able to continue their strong Q1 performance against the USD.** For instance, the CLP, ZAR, and BRL are some of the worst performing currencies were affected by a slower Chinese reopening and global growth fears translating to commodities. Local Rates have continued to move higher along developed rates with the GBI-EM index inching above 7% by the end of the quarter. Following the war, the inflation peak, that the market expected closer to the summer, has not materialized in EM, also, **the poor performance of FX over the quarter pressures central banks to continue to hike to protect from further inflation transmission via the currency.**

The credit asset class has been under significant stress in developed markets (DM) and emerging markets (EM). Over the quarter we have seen a further deterioration of the liquidity conditions stemming from the high rates volatility that we continued to observe during the second quarter. In this asset class an increasing share of credits are pricing as distressed (defined by a yield >10%) going from 15 country sub-index of the EMBIG (EM External Debt) at the end of Q1 to 23 by the end of Q2. A number of the new joiners are paradoxically important oil exporters (such as Nigeria or Angola) and should be benefitting directly from the high energy prices.

How is the fund positioned?

In this difficult context we have reduced the risk of the fund across all asset classes, especially in June when volatility in rates increased.

On the FX we have started the quarter with a relatively low allocation to commodity currencies and decreased it throughout. **During the month of June and the important risk-off we increased the USD allocation in the fund and shorted several EM currencies to provide protection to the rest of the portfolio** notably ZAR or MXN which tend to correlate to risk or INR a country particularly sensitive to its energy imports.

On the local rates we had several long rates positions in EM thinking that we were reaching peak inflation and that there was a start of "hike-fatigue" in several countries such as the Czech Republic or Brazil. These positions have cost the fund in terms of performance; however, we have maintained them as we believe that rates will be the first movers as the narrative shifts towards recession.

In credit, we have trimmed our corporates exposure throughout the quarter, for the sovereign credit we have remained invested in countries which offer significant value such as Romania. **We still maintained protection during the period to navigate the high volatility and the fall in market liquidity.**

What is our outlook for the coming months?

Going forward we think that there is going to be a battle between the need to hike to prevent further inflation and the need to implement supportive measures to lessen the impact of a recession. Should we see the China's economic restart to bear fruits it can dampen the effect of a slowdown in developed markets for EM. For the FX this means that we are going to continue to see pressure on the commodity exporter complex with recession fears. For this reason, we will remain defensive on the asset class, unless we see signs of a strong China rebound. **Similarly with recession approaching we are more constructive on local rates, as Developed Markets rates start to incorporate the risk of recession, we should see less pressure on Emerging markets.** We think that the countries that have hiked the most and are showing signs of "hike-fatigue" will be the most willing to change the policy messaging from a hawkish tilt to a dovish tilt. **Note that we do not expect fast and sharp rate cuts for the remainder of 2022 but more of a change in dynamic**For these reasons we prefer Czech or Brazilian rates. On the credit side we are going to remain cautious for the time being, because of likely continued rates volatility keeping investors away. **Recession accompanied by lower commodity prices will be negative for extraction centered economies while the energy complex is likely to continue to perform given the likely long-lasting tensions between the West and Russia.** We are going to maintain exposure to credits that we see as cheap while actively protecting the portfolio via CDS.

[1]JP Morgan GBI – Emerging Markets Global Diversified Composite Unhedged EUR Index.

Carmignac Portfolio EM Debt

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Carmignac Portfolio EM Debt A EUR Acc

ISIN: LU1623763221

Lower risk Higher risk

1	2	3*	4	5	6	7

Main risks of the Fund

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.

INTEREST RATE: Interest rate risk results in a decline in the net asset value in the event of changes in interest rates.

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.

CREDIT: Credit risk is the risk that the issuer may default.

The Fund presents a risk of loss of capital.