



Carmignac Portfolio Green Gold : Letter from the Fund Manager



Author(s)
Michel Wiskirski

Published
July 26, 2022

Lengt
7

Carmignac Portfolio Green Gold¹ lost -9.61% in the second quarter of 2022, compared with a -10.24% decline in its reference indicator². This brings the Fund's year-to-date return to -12.7%, versus -8.2% for its reference indicator. The military intervention on Europe's doorstep that shook the continent in the first part of the year continued into the spring and summer, with the food and energy price shock in Q1 giving way to worries in Q2 about a severe global economic slowdown or even a recession.

What exactly happened in the markets in Q2 2022?

The inflationary impact of the war in Ukraine persisted in the second quarter, to no surprise. Oil and gas prices in particular stayed high. Europe responded to Russia's aggression with an array of retaliatory measures, including cuts in crude-oil imports from the country, a decrease in the purchase of refined petroleum products, and an embargo on Russian coal. What's more, oil prices look set to stay elevated owing to a combination of relatively strong demand, scant reserves following years of underinvestment, and a drop in production from Russia. Moscow responded to Europe's sanctions with retaliatory measures of its own. It once again deployed its main geopolitical weapon against Europe: cuts in natural gas exports. Moscow deliberately scaled back exports to Germany; the daily flow rate through the Nord Stream 1 pipeline was cut by nearly a factor of three in June. Germany and the rest of Europe have tried to procure liquefied natural gas in order to make up for the shortfall, but the situation remains critical. With winter just a few months away, it's possible that Europe won't have enough natural gas reserves to keep homes and offices heated and factories running. Brussels has no choice but to start thinking up rationing schemes in order to prevent a worst-case scenario. These energy-supply problems, coupled with signs of a slowing economy and persistent inflation, weighed on the prices of certain European assets.

These assets include the stocks of industrials. **Schneider Electric** and **Kingspan** fell by -25% and -35% (in EUR), respectively, in Q2. The unprecedented developments in recent months made it painfully clear that Europe must absolutely reduce its energy dependence and completely overhaul its energy strategy. The new strategy should be focused on renewable energy, and Brussels is taking steps in this direction. Our investments in European wind-power companies held up relatively well in the quarter as a result, with **Orsted** and **Vestas** losing -13% and -25% (in EUR), respectively.

The grass isn't much greener in the United States. The government's fiscal and monetary policy largesse over the past few years, combined with ongoing supply-chain disruptions in the wake of Covid outbreaks in China, have caused a steep increase in consumer prices. The US Federal Reserve must now belatedly tighten its monetary policy at a fast clip – just as many segments of the American economy are showing signs of softness. Fed Chairman Jerome Powell must walk a fine line in order to avoid plunging his country into a painful recession. Meanwhile, President Biden is struggling to get his Build Back Better Plan, which involves large-scale fiscal stimulus and hefty investments to fight climate change, passed ahead of the upcoming midterm elections. Talks between Democratic and Republican senators have broken down, and the hundreds of billions of dollars that Biden had initially earmarked for renewable energy seem to be on hold for now. That said, the higher prices of US fossil fuels (oil and gas) should bring congressional policymakers back to the table and eventually lead to a climate strategy along the lines of Biden's initial vision. The renewable energy industry has also found itself caught up in the geostrategic confrontation between the US and China, to the point where President Biden invoked his executive powers in an attempt to revive trade in solar panels.



Fund performance and current positioning

These tensions and uncertainties created a number of opportunities in Q2 which we took advantage of. We added **NextEra Energy** to our portfolio; NextEra is a leading American renewable-energy and power-generation company with assets in Florida that are considered benchmarks in the US industry.

The almost synchronised global slowdown has impacted the prices of industrial metals, viewed as a barometer of the health of the economy. Copper was hit the hardest, dropping –21.7% (in USD) in the second quarter. The high volatility in metals prices along with the increasingly hostile stance by governments (especially in Latin America) towards mining companies is discouraging the kind of capital investment needed to produce the metals that will be essential for building power grids capable of running on intermittent energy sources. This will serve to keep prices at lofty levels for years to come.

After a volatile start to 2022 for emerging market stocks, we believe that renewable energy companies in those regions are well positioned to rebound, especially since these companies have reached very attractive valuations – the most affordable we've seen since the 2008 financial crisis. Here we can point to two South Korean names in our portfolio: **Samsung Electronics** and **LG Chem**. These are global leaders in their lucrative markets of semiconductors and electric-vehicle batteries, yet are trading at low P/E ratios.

We're confident that the stocks in our portfolio hold promising growth prospects in today's uncertain macroeconomic and geopolitical climate, and that our Fund is currently positioned to seize the growth opportunities arising from the energy transition.

Sources: Carmignac, Bloomberg, IEA, BNEF, 30/06/2022

Reminder of the strategy: A sustainable equity fund acting for climate mitigation and energy transition

At a time when governments need to step up their efforts to enable the energy transition, we believe a diversified approach is necessary to gain exposure to the full range of companies whose core businesses address the issue of climate change and that are poised to benefit from such structural shifts. These companies make up the majority of **Carmignac P. Green Gold**, an Article 9 Fund (under the EU SFDR) which invests in climate change mitigation and the energy transition.

Our Fund is a thematic international equities fund offering selective exposure to all these trends:

Our investment objective is to seize growth opportunities among innovative businesses along the entire renewable-energy value chain and among key players in the energy transition. Wind turbines require steel for their structures and copper for transmitting the power they produce to urban grids. Taking these factors into account, we analyse and invest in companies throughout the clean energy supply chain. We also invest in companies we believe have the greatest potential for reducing carbon emissions and that can contribute to efforts to achieve carbon neutrality by 2050.

Classified as Article 9 under EU SFDR, the strategy invests at least 60% of assets in companies whose activity contribute to climate change mitigation and climate change adaptation according to EU taxonomy standards³.

Another key point of the Fund: engagement and active shareholder rights. We want to use our active shareholder rights to work with companies to transition and therefore use this strategy to make a real impact, authentic, meaningful, that can really help the world transition to a lower carbon economy. These companies devote dozens of billions of dollars to developing new sources of oil and gas. We, as shareholders, need to call for capital reallocation towards cleaner avenues of energy. This enormous pool of capital and its allocation in the years to come will be critical in achieving carbon neutrality. Carbon neutrality will not happen without those players being committed and investors engaging with them to drive this change and achieve these decarbonization goals.

The fund has 3 investment pillars that are also key performance drivers for months to come:



Green energy providers

Companies providing products, services or solutions that are low carbon like renewable energies or electric vehicles

Green Solution enablers

Companies offering products, services or solutions that directly or indirectly enable other companies to cut their carbon emissions or enhance their energy efficiency (facilitators of solutions); for example, semiconductor companies that provide key components for electric vehicles.

Key players of energy transition

Companies that contribute the most to the energy transition and the reduction in global carbon emissions, for example, some large integrated mining or oil companies that have adopted drastic policies to shrink their carbon footprint and are expanding their commitment into renewables.

¹ Carmignac P. Green Gold Part A EUR Acc – ISIN LU0164455502. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor), where applicable. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. Annualized performance as of 30/06/2022.

² Reference indicator: MSCI ACWI (USD) (Reinvested net dividends) On 15/05/2020 the reference indicator changed to MSCI AC WORLD NR (USD) index net dividends reinvested. Performances are presented using the chaining method. The Fund's name was changed from Carmignac Portfolio Commodities to Carmignac Portfolio Green Gold. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor), where applicable. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

³ According to EU taxonomy standards. 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. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Sources : Carmignac, Bloomberg, company data, 30/06/2022

Carmignac Portfolio Green Gold

A sustainable equity fund acting for climate change mitigation

[Discover the fund page](#)



Carmignac Portfolio Climate Transition A EUR Acc

ISIN: LU0164455502

Recommended
minimum
investment horizon



Main risks of the Fund

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.

COMMODITIES: Changes in commodity prices and the volatility of the sector may cause the net asset value to fall.

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.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents.

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, for the shares which are not currency-hedged.

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. The portfolios of Carmignac funds may change without previous notice. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager.

Morningstar Rating™ : © Morningstar, Inc. All Rights Reserved. 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.

Access to the Funds may be subject to restrictions regarding certain persons or countries. This material is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the material or availability of this material is prohibited. Persons in respect of whom such prohibitions apply must not access this material. Taxation depends on the situation of the individual. The Funds are not registered for retail distribution in Asia, in Japan, in North America, nor are they registered in South America. Carmignac Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds may not be offered or sold, directly or indirectly, for the benefit or on behalf of a «U.S. person», according to the definition of the US Regulation S and FATCA. The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital.

The Funds' prospectus, KIDs, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management Carmignac Portfolio refers to the sub-funds of Carmignac Portfolio SICAV, an investment company under Luxembourg law, conforming to the UCITS Directive. The French investment funds (fonds communs de placement or FCP) are common funds in contractual form conforming to the UCITS or AIFM Directive under French law.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. Investors may lose some or all their capital, as the capital in the funds are not guaranteed. The Funds present a risk of loss of capital. The Funds' prospectus, KIDs, NAV and annual reports are available at www.carmignac.com, or upon request to the Management.

In the United Kingdom: the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.

In Switzerland: the prospectus, KIDs and annual report are available at www.carmignac.ch, or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#) ; [Switzerland](#) ; [France](#) ; [Luxembourg](#) ; [Sweden](#).