

CARMIGNAC PATRIMOINE: LETTER FROM THE FUND MANAGERS

13/10/2023 | CHRISTOPHE MOULIN, JACQUES HIRSCH, DAVID OLDER

-1.64%

Carmignac Patrimoine performance in the 3rd quarter of 2023 for the A EUR Share class

-0.67%

Reference indicator's performance in the 3rd quarter of 2023

+2.74%

1 Year performance

Vs 1.98% for the reference indicator

Over the period, **Carmignac Patrimoine** recorded a performance of -1.6%, below that of its reference indicator (-0.7%)¹.

MARKET ENVIRONMENT DURING THE PERIOD

The third quarter of 2023 was marked by an important sell-off on the bond markets, that led to a widening of credit spreads and profit-taking on equity markets.

Indeed, over the period, central bankers maintained an hawkish tone, as illustrated by the additional tightening of the US Federal Reserve, which raised its key rate to 5.5%, and the two increases by the European Central Bank. In addition, the main monetary policymakers reconfirmed an inflation target of 2%, thereby advocating a level of rates "high for longer", which led to a substantial rise in long-term rates since mid-July: 10-year yields are now at their highest levels for over 15 years both in US and in Eurozone.

On the equity front, the S&P 500 peaked on July 31, but has since fallen by approximately 6% to end of the quarter. Valuations have been under pressure following the sell-off in rates: S&P 500 price/earnings ratio (1-Year forward) has dropped from 20x to 18x. However, at the same time, earnings estimates have held steady.

In terms of sector behavior, following the sharp move in rates, bond proxies (utilities and real estate) have performed poorly. At opposite end of the spectrum, energy has benefited from the resurgent oil price, while defensive healthcare have done relatively well.

HOW DID WE FARE IN THIS CONTEXT?

During the quarter, the main detractor to the performance of the Fund has been our long duration bias. Indeed, after more than 2 years of sell-off in sovereign bonds, the fund has adopted a strategy aimed at taking advantage of a less favorable economic outlook for the second half of 2023, due to the growing effects of monetary and fiscal tightening on the real economy. Nevertheless, the resiliency of the US economy, and the stickiness of inflation led central bankers to keep an hawkish tone leading to a negative dynamic on the rates front. In this context, our exposure to core sovereign debt in Europe and in the US made a negative contribution to performance.

In the wave of this sell-off in bonds, the Fund suffered from its gold exposure which was affected by higher real rates and from its euro exposure that weighted on the relative performance.

However, our exposure to risky assets through our equity and corporate debt selection had an overall positive contribution to the performance. The credit component was supported by the carry while despite a negative backdrop for equity markets, we managed to generate alpha over the quarter mostly thanks to our stock selection in Healthcare (Novo Nordisk and Eli Lilly) as well as some companies like UBS and Schlumberger.

OUTLOOK

We anticipate that the global economy will experience a gradual slowdown in the next six months, as the effects of the recent strong monetary tightening begin to take hold. Typically, it takes between 12 to 18 months for the full economic impact of such measures to be felt. However, the resiliency of the US economy and the probable Chinese stimulus should prevent a sharp collapse of the global economy over the short term. In the meantime, beyond the current cyclical disinflation phase, inflation is expected to persist for an extended period leading to some cautiousness from the Fed.

This scenario argues, first, to maintain a long duration bias within the fund. The end of the hiking cycle is in sight, some central bankers are already showing their willingness to pause in front of the fragility of certain activity indicators. Even more so as the recent selloff of long-end real rates puts an additional pressure on financial conditions that are tightening materially. In addition, the real rates have increased to levels that do not seem sustainable over the medium to long term. The relatively high level of indebtedness of the various economic agents (sovereign and private) does not argue either in favor of keeping interest rates high for long, given the problem of refinancing debts.

This scenario of a soft landing of the economy over the next few months should also remain generally favorable for risky assets such as equity and for carry strategies such as credit on the fixed income bucket. On the equity side, any easing in rates will be positive for equity valuations and, as a result, corporate earnings will once again become the differentiating factor. On this front, selectivity will be key as earnings forecasts for 2024 may still be too optimistic, leaving room for downward revisions.

¹Source: Carmignac as at 29/09/2023. Reference indicator: 40% MSCI ACWI (USD) (Reinvested net dividends) + 40% ICE BofA Global Government Index (USD) + 20% ESTER capitalised. Quarterly rebalanced.

*Source: Carmignac, 29/09/2023, portfolio composition may vary over time. Carmignac Patrimoine, A EUR Acc. 1) Reference indicator: 40% MSCI ACWI (USD) (Reinvested net dividends) + 40% ICE BofA Global Government Index (USD) + 20% ESTER capitalised. Quarterly rebalanced. Until 31 December 2012, the reference indicators' equity indices were calculated ex-dividend. Since 1 January 2013, they have been calculated with net dividends reinvested. Until 31 December 2020, the bond index was the FTSE Citigroup WGBI All Maturities Eur. Until 31 December 2021, the Fund's reference indicator comprised 50% MSCI AC World NR (USD) (net dividends reinvested), and 50% ICE BofA Global Government Index (USD) (coupons reinvested). Performances are presented using the chaining method. From 01/01/2013 the equity index reference indicators are calculated net dividends reinvested. **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).***

SFDR - Fund Classification** :

Article 8



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. **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. **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.

* **Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

**The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

FEES

Entry costs : 4,00% of the amount you pay in when entering this investment. This is the most you will be charged. Carmignac Gestion doesn't charge any entry fee. The person selling you the product will inform you of the actual charge.

Exit costs : We do not charge an exit fee for this product.

Management fees and other administrative or operating costs : 1,51% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% max. of the outperformance once performance since the start of the year exceeds that of the reference indicator and if no past underperformance still needs to be offset. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

Transaction Cost : 0,63% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

ANNUALISED PERFORMANCE (ISIN: FR0010135103)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Patrimoine	+8.8 %	+0.7 %	+3.9 %	+0.1 %	-11.3 %
Indicateur de référence	+16.0 %	+8.4 %	+8.1 %	+1.5 %	-0.1 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Patrimoine	+10.5 %	+12.4 %	-0.9 %	-9.4 %	+2.2 %
Indicateur de référence	+18.2 %	+5.2 %	+13.3 %	-10.3 %	+7.7 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Patrimoine	+2.5 %	+2.4 %	+2.0 %
Indicateur de référence	+2.6 %	+4.7 %	+6.5 %

Source: Carmignac at 30 Apr 2024.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

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.

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