



## Our Monthly Investment Review : April 2022

---

Published

May 16, 2022

Length

🕒 3 minute(s) read

---

This April, stock markets recorded their biggest monthly drop since March 2020, even though companies reported better-than-expected Q1 2022 earnings. This indicates that, akin to what we saw during the first part of the year, markets are being influenced primarily by macroeconomic factors, and only to a lesser extent by company fundamentals.

Bond markets likewise were subject to further losses in April, in both the sovereign and corporate segments. The Bloomberg Global Aggregate index (the main global benchmark for investment-grade investors) fell 5.48% in April and is down 11.30% since the start of the year – its worst correction since 1980.

Inflation is clearly leaving its mark.

It showed no signs of easing in April despite the slowdown in economic output. US consumer prices jumped 8.5% year-on-year in a particularly tight job market environment, yet the country's GDP shrank by 1.4% in Q1 – its first quarterly contraction in nearly two years.

Inflation is also elevated in Europe, but that's more a reflection of the soaring commodities prices. These lofty prices have caused the cost of living to skyrocket and are eroding companies' profit margins. Emmanuel Macron's re-election as French president is reassuring for investors when it comes to the EU's fiscal intentions, and it increases the likelihood of group sanctions against Russia – all of which confirms the stagflationary nature (i.e. stagnant economic growth combined with high inflation) of the economic shock hitting Europe.

Central banks in both the US and the eurozone are concerned about the upswing in inflation expectations and have stressed their desire to keep consumer-price appreciation under control, regardless of the effects on GDP growth. This hawkish stance has quickly pushed up the yields on 10-year Treasuries and Bunds, which jumped 60 bp and 36 bp, respectively, and are now flirting with the psychological levels of 3% and 1%. These higher yields have dragged down the prices of risk assets as well as conventional safe-haven assets.

Meanwhile in China, the government is still pursuing its strict zero-Covid policy – complete with severe lockdowns – in response to a bump in new infections. This forced slowdown of the economy is worrying because it is disrupting supply chains and denting China's GDP growth prospects, especially since Beijing apparently wants to wait until the pandemic improves enough before taking steps to engineer a strong economic rebound.



## Equities

At this point, we believe it's wise to keep a low allocation to equities, which now make up around 15% of our [Carmignac Patrimoine](#) portfolio. We have positioned our underlying equity portfolio for a market landscape in which company fundamentals are once again the determining factor in performance drivers. Our equity holdings are concentrated in companies that stand to come out of this period of cost pressure and slower GDP growth either unblemished or even stronger.

We are invested in defensive businesses in essential industries like healthcare and consumer staples, in quality businesses with low debt levels and high profit margins, in businesses involved in the energy transition and that meet our ESG criteria (like Schlumberger, which has formed new partnerships to manufacture and distribute technology for the development of next-generation energy systems), and in businesses in the travel industry (Ryanair and Airbus) now that most international travel restrictions have been lifted.

## Fixed income

Credit spreads widened further in April as corporate bonds were once again battered by central banks' moves to normalize monetary policy at a time of decelerating economic output. We scaled back our allocation to this asset class and shored up our hedges by purchasing CDSs on indices. Now our investments relate mainly to select issuers in industries like energy and finance, which are expected to benefit from high commodities prices and interest rates. Our structured credit holdings – variable-rate debt instruments backed by premium-quality loans – are also attractive in the current climate. They provide a cushion against higher interest rates but also higher default rates, along with attractive yields.

The stretched commodities prices are of good omen for producing countries in emerging markets, particularly in Latin America. These countries are also well advanced along their monetary-tightening cycle. We hold positions in local-currency Brazilian debt and in the Chilean and Mexican pesos. Debt from Eastern European countries has come under pressure recently due to the countries' location and is now very attractive. For example, the yields on local-currency Hungarian bonds are close to 6%, after climbing by 4.75% in only the past four months.

We are still actively managing our interest-rate risk in both Europe and the US. We adjusted our positioning on short-dated maturities, since they already factor in particularly swift and significant monetary-policy normalization. We also modified our positioning on the long-dated end of the curve, as we don't believe these maturities have fully priced in the lasting nature of inflation and the effects of the Fed's winding down of its balance sheet. Our positioning on US Treasuries may appear broadly neutral, but it's actually poised for a steepening of the yield curve.



Overall, we intend to manage risk actively in response to the pick-up in volatility, in order to preserve our long-term investment opportunities.

Sources : Carmignac, Bloomberg, 04/05/2022

To read our latest market analyses,

## Carmignac Patrimoine A EUR Acc

ISIN: FR0010135103

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.

This is a marketing communication. 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. Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. The recommended investment horizon is a minimum and not a recommendation to sell at the end of that period. Morningstar Rating™ : © 2021 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. Company. The risks, fees and ongoing charges are described in the KIID (Key Investor Information Material). The KIID must be made available to the subscriber prior to subscription. The subscriber must read the KIID. 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, KIIDs, NAV and annual reports are available at [www.carmignac.com](http://www.carmignac.com), or upon request to the Management. Investors have access to a summary of their rights in French, English, German, Dutch, Spanish, Italian at section 6 of "regulatory information page" on the following link :[https://www.carmignac.com/en\\_US](https://www.carmignac.com/en_US) 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. The Management Company can cease promotion in your country anytime. UK: This document was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013). In Switzerland: the prospectus, KIIDs and annual report are available at [www.carmignac.ch](http://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, Paris, succursale de Nyon/Suisse, Route de Signy 35, 1260 Nyon. Copyright: The data published in this presentation are the exclusive property of their owners, as mentioned on each page. CARMIGNAC GESTION 24, place Vendôme - F-75001 Paris - Tél : (+33) 01 42 86 53 35 Investment management company approved by the AMF Public limited company with share capital of € 15,000,000 - RCS Paris B 349 501 676 CARMIGNAC GESTION Luxembourg - City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel : (+352) 46 70 60 1 Subsidiary of Carmignac Gestion - Investment fund management company approved by the CSSF Public limited company with share capital of € 23,000,000 - RC Luxembourg B 67 549