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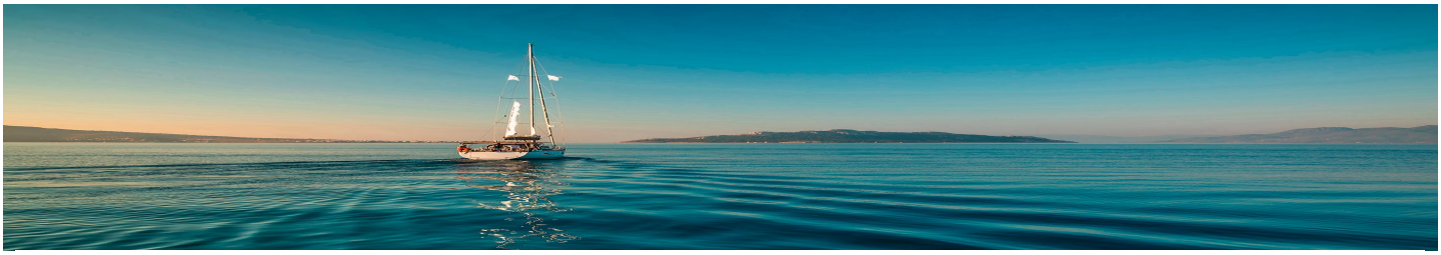

5 minutes with Guillaume Rigeade and Eliezer Ben Zimra

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Since March 10th, 2021, the new name of Carmignac Portfolio Unconstrained Euro Fixed Income is Carmignac Portfolio Flexible Bond.

Guillaume Rigeade and Eliezer Ben Zimra manage Carmignac Portfolio Unconstrained Euro Fixed Income, an international fixed income UCITS Fund that deploys interest rate and credit strategies across the globe with a systematic currency hedging

What prompted you to join Carmignac?

Eliezer BEN ZIMRA: With some forty fund managers and analysts out of a total of 280 employees,**Carmignac has given the role of fund manager top billing**. Working at an independent firm**gives us the freedom that is vital to taking good investment decisions**

We also get to tap into the management team's full range of expertise. At a first stage, the analysts and economists advising them help us make sense of the macroeconomic, monetary and fiscal policy issues we are facing. Further on, they help us select the most attractive instruments in EM debt, corporate credit, bank bonds and structured credit, particularly Collateralised Loan Obligations (bonds backed by a pool of company loans).

Through this broad investment universe, we can generate risk-adjusted returns today that are on a par with the returns we delivered in the past, despite today's negative interest rate environment.

Guillaume RIGEADE: We also sensed real determination by Carmignac, and more particularly Rose Ouahba (head of Fixed Income)**to expand the firm's fixed income flexible product range in order to face client expectations**.

Our fund, Carmignac Portfolio Unconstrained Euro Fixed Income, has an **expected annual volatility of between 3% and 5%**. In risk/reward terms, that puts us somewhere between Carmignac Sécurité (a low-duration European bond fund) and Carmignac Portfolio Unconstrained Global Bond (an international bond fund with a wider duration range).

The roughly €900 million we have under management1 shows **our fund has the potential to raise quite a lot money**as the capacity constraint is much higher thanks to our large investment universe as rightly pointed out by Eliezer.

Are you sticking to the same asset management style?

Guillaume RIGEADE: Yes, we are. We want to**capture fixed income opportunities around the world**, while systematically hedging any currency risk on our foreign investments. Our investment process will accordingly rest on our three historic pillars: **exposure to the various fixed income market segments, active yet flexible handling of modified duration and careful selection of issuers, issues and instruments**.

Eliezer BEN ZIMRA: **Our approach is fully in line with Carmignac's basic DNA**. Like the firm's other fund managers, we consistently pursue a non-benchmarked strategy so that we can generate medium- and long-term risk-adjusted returns for our clients while keeping our volatility in line with that of the market.

How do you deliver returns in today's low-yield environment?

Guillaume RIGEADE: Even if investors go on pressing for higher returns, we are keeping our **modified duration fairly low**, at around 3 (with a range of between -3 and +8). And that hasn't prevented us from **finding attractive pockets of value** in the various segments and sub-segments of the fixed-income space.

In developed-country sovereigns, we are maintaining **positive sensitivity to US Treasury yields**, given that the market has priced in three rate cuts by the end of 2020. If the economic slowdown in the United States becomes a reality, those market expectations might prove to be too conservative, and investors would have to calculate the impact of further rate reductions.

In Europe, **our preference goes to Greece**, a country implementing structural reforms and whose growth outlook has improved under the leadership of the new prime minister Mitsotakis. The goal of lifting the country's credit rating into investment-grade territory within the next 18 months strikes us as overly-ambitious, but Greece's current trajectory is definitely good news for creditors.

We also have a **tactical long position in Italian government debt**, which is being buoyed by plentiful liquidity in Europe. In addition, the anti-Europe rhetoric we were used to hearing from Matteo Salvini in the past few years should fade away under the new Five-Star–Democratic Party coalition government.

Eliezer BEN ZIMRA: In the emerging market space, though we have initiated a few positions in **Mexican foreign-currency debt**, we are waiting for the dollar to weaken before undertaking a more serious return to this asset class.

Financial repression has likewise been rough on corporate bonds, making them an unquestionably overpriced asset class. But as the current credit cycle is already quite far along, we believe that growing risk aversion is now fuelling dispersion. **Our portfolio construction is characterised at present by cautious positioning** with limited market exposure via long credit derivatives on indices. This enables us to reduce market beta while focusing on idiosyncratic names, on EM issuers under pressure and on CLOs (« Collateralised loans obligations »).

Discover the fund managed by our duo:

Carmignac P. Unconstrained Euro Fixed Income

Discover our « Unconstrained » range:

The strengths of our Fixed Income unconstrained approach

Carmignac Portfolio Flexible Bond

ISIN:

Main risks of the Fund

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.

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.

The Fund presents a risk of loss of capital.

Carmignac Sécurité AW EUR Ydis

ISIN: FR0011269083

Recommended minimum investment horizon

Lower risk Higher risk

1	2*	3	4	5	6	7

Main risks of the Fund

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.

RISK OF CAPITAL LOSS: The portfolio does not guarantee or protect the capital invested. Capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase.

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.

Carmignac Portfolio Global Bond Income E USD Hdg

ISIN: LU0992630326

Recommended minimum investment horizon

Lower risk Higher risk

1	2*	3	4	5	6	7

Main risks of the Fund

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

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.

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.

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