FLASH NOTE

28.04.2021

Carmignac P. Grande Europe: Letter from the Fund Manager

Q1 2021

Published
April 28, 2021

Length
4 minute(s) read

During the first quarter of 2021, **the return of Carmignac Portfolio Grande Europe[1] was +4.24%**, providing a return lower than the reference indicator[2], which rose by +8.20%.

European Equity Market Review

In the period, investors continued to respond positively to ongoing vaccine rollouts worldwide and the prospect of economies re-opening at some point later in the year, thereby anticipating strong profit recovery across the equity market. In parallel, and reflecting this optimism over future recovery, inflation expectations and bond yields rose significantly as well. This combination provided a perfect environment for the continuation of the rally in so-called "value" areas, a dynamic that started in November 2020 when first vaccine headlines took over Covid announcements worldwide.

Consequently, these so called "value" sectors had strong performance in Q1, with Financials, Oil, Basic Goods, and Autos leading the way. Given our natural little or no exposure to these sectors – which we consider structurally and fundamentally unappealing – the Fund's relative performance in the period was subdued.

Portfolio Management

Despite this headwind, it was not all bad news. Our large exposure to Industrial stocks was encouraging as the underlying names benefit from increasing expectations around economic activity.

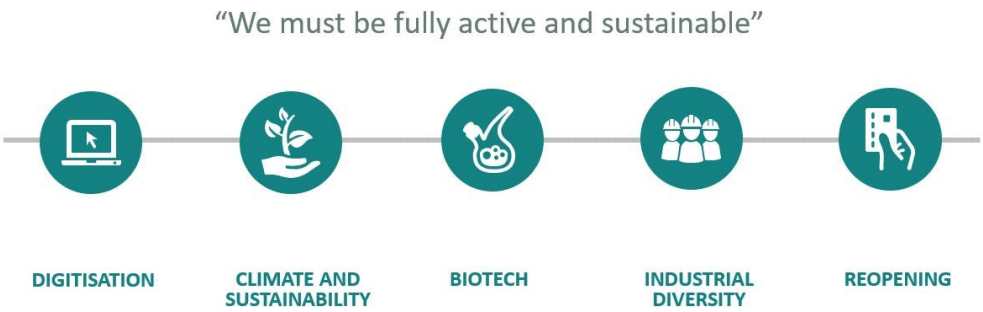
For example, mining equipment company Epiroc, and lock maker Assa Abloy, among others, performed very well. In fact, some stocks in this area have been so strong that we have started to reduce our exposure to them due to a somewhat limited short-term upside. In addition – to a lesser extent – we saw strong performance coming from some of the names we own which are specifically sensitive to economies re-opening, such as contract catering company Compass, and UK housebuilder Taylor Wimpey. We initiated on some of these reopening after their sharp stock prices' fall early last year.

On the negative side, **we saw significant weakness in our renewable energy related names with Vestas, Orsted and Solaria all weakening**. The value of these businesses depends on profits from projects many years/decades in the future and, as bond yields rise, the present values of these profits are discounted at higher rates, therefore reduced. Post the euphoria of Biden election in the US and the Democratic win of the Senate race in Georgia in January, renewable energy related stock prices spiked up. We took this as an opportunity to take some profits, and consequently the drag from their subsequent underperformance was reduced. Nevertheless, we think these areas still have great long-term potential thus we keep an eye open and are willing to reconsider our allocation in the future.

Outlook

Looking forward, the "value" sectors mentioned earlier - which for much of last year had lagged the market given its rally – are now trading at or above pre-Covid levels thus reducing the room for a further potential catch-up. **Unless there is a new substantial increase in inflation expectations for 2H 2021, the headwind to our relative performance is thus likely to abate. In any event, we stick to our long-standing investment focus on secular growth companies and continue to take periods like Q1 2021 as opportunities to add new names to the Fund whose stock prices have temporarily performed poorly.**

Attractive Trends in Europe



Portfolio composition may vary over time
Source: Carmignac, January 2021

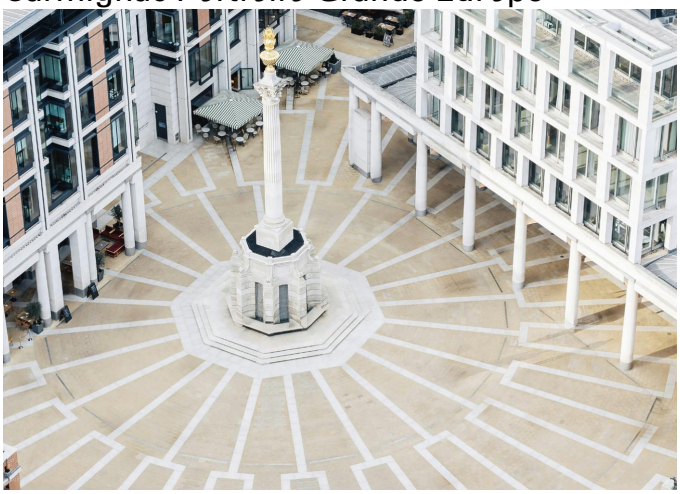
Although the broad structure of the portfolio is unchanged, we have added several new names which are poised to participate in favourable ongoing digital trends in the region and globally. We remain focused on our bottom-up stock picking process, which favours profitable companies with high return on capital.

As a result, we added European electronic payments processor Worldline, which we believe benefits from the expected increase in penetration of electronics payments vs cash, as well as European banks outsourcing their non-core payments operations. Increasingly, savers and investors in the region are also migrating to online platforms to conduct business as they are more convenient and cheaper than alternatives. Therefore, we added Fineco Bank, the leading Italian player in the field.

We entered into a new position in GN Store Nord which is not only one of the leading hearing aid manufacturers but also is the leading manufacturer of telephone headsets. Penetration of this product is likely to double from a still relatively low level of ~15% among office workers worldwide, thus underpinning profit growth in the mid-teens level for the coming years.

Finally, given its poor performance in the period, we have added online food delivery Delivery Hero. Online ordering of take away food still only represents ~10% of the total food service market but we expect significant growth especially as the company is market leader in 80% of the markets where it operates.

Carmignac Portfolio Grande Europe



A large and mid-cap European equity strategy with stock-picking at its core

Rigorous stock screening combined with bottom-up fundamental analysis form the bedrock of the investment process. On the lookout for long-term growth, built on robust fundamentals and strong business models.

Risk management is part of the investment process: we monitor risk in real time and continually optimise our portfolio.

SFDR[1] Fund Classification: Article 8

SRI Label
www.lelabelisr.fr/en

Towards Sustainability label
www.towardssustainability.be

[1]Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. For more information please refer toEUR-lex.

[1] Carmignac Portfolio Grande Europe A EUR Acc (ISIN: LU0099161993). Mark Denham joined Carmignac in mid-September 2016 as Head of European Equities, Fund Manager.

Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. The portfolios of Carmignac funds may change without previous notice. Performances are net of fees (excluding possible entrance fees charged by the distributor). Annualized performance as of 31/03/2021.

[2] Reference Indicator: Stoxx 600 (Reinvested net dividends).

Carmignac Portfolio Grande Europe

ISIN:

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.

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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