QUARTERLY REPORT

12.07.2023

Carmignac Investissement: Letter from the Fund Managers

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Published
July 12, 2023

Lengt
5

+4.70%

Carmignac Investissement's performance

in the 2nd quarter of 2023 for the A EUR Share class

+5.73%

Reference indicator[1]'s performance

in the 2nd quarter of 2023

+10.76%

Performance of the Fund since the beginning of the year

vs +11.45% for the reference indicator

In the second quarter of 2023, ***Carmignac Investissement*** *recorded a performance of +4.7%, below that of its reference indicator[1] (+5.7%).*

Market environment during the period

The resilience of economic growth in the United States has consistently defied investor expectations throughout the quarter. Despite increasingly stringent financial conditions, consumer demand and employment trends in the US have demonstrated remarkable stability. On the other hand, the European economy has encountered a slowdown as the tightening of monetary policy begins to exert its influence on the real economy. Nevertheless, both in the US and Europe, core inflation has remained stubbornly persistent, prompting central banks to reinforce their commitment to maintaining a restrictive monetary policy. Meanwhile, in the East, China's economic momentum has encountered a significant obstacle, further contributing to an already tense geopolitical landscape.

In this complex environment, stock markets have witnessed remarkable performance, reaching new highs over the course of one year, and even multiple years, despite prevailing uncertainty surrounding interest rates. It is worth noting that the surge in US equity markets has primarily been driven by the flourishing artificial intelligence investment theme, with the Big Tech 7 significantly outperforming the rest of the market.

How did we fare in this context?

During the period, we delivered a positive performance. Although our exposure to the Chinese market had a considerable negative impact on our overall performance, we were able to generate returns through our strategic investments in key sectors. Notably, our holdings in the technology sector, including companies such as Oracle, Microsoft, and American Micro Devices, proved to be instrumental in driving our positive performance. Additionally, our allocation to the healthcare sector, with a focus on Eli Lilly, further contributed to our overall performance.

Outlook

In the current economic climate, marked by resilient economies and persistent inflation, we believe that central banks will maintain their stance without pivoting in the second half of the year. However, returning to the 2% inflation target will be more complex than expected, requiring higher unemployment and interest rates. We therefore anticipate a synchronized slowdown in the second half of the year, with a late 2023 recession in the USA, stagnation in Europe and moderate growth in China.

Against this backdrop, we have continued to increase our exposure to the healthcare sector, which is now our main overweight in the fund. The sector's defensive attributes and secular growth profile, thanks to innovation, should stand out in a gloomy macroeconomic environment. Eli Lilly is the biggest holding of the Fund: its weight loss drug Mounjaro addresses a huge market with highly efficacious results; importantly we expect insurers and governments to embrace its use due to the positive long term effects weight loss can have on overall health care costs.

Simultaneously, we strategically target opportunities driven by long-term structural trends, presenting enticing short and medium-term prospects. In particular, we capitalized on the remarkable advancements in artificial intelligence, and the revenue opportunity linked to it. We invest across the value chain from semiconductors to cloud computing to cybersecurity. In our opinion, Microsoft is a key near term beneficiary of the proliferation of AI given 1) its control stake in OpenAI, which can ideally be utilized within its Azure cloud infrastructure allowing enterprises to capitalize on AI initiatives, and 2) its plan to incorporate an AI "copilot" into the widely used Office365 software suite to accelerate user productivity.

To adapt to a stickier inflationary/higher interest rate backdrop than over the previous decade, we maintain an exposure to growth companies but within a wider set of sectors. Over the last year, we have reinforced our investments in the industrial sector in which we are very selective: avoiding short cycle exposure to favor long cycle plays. Airbus, the leading supplier in a secularly growing commercial aerospace market, is our biggest weight in the sector. A tight aircraft supply market given strong structural travel trends will provide a solid demand backdrop as Airbus ramps up production at higher margin than during the pre-COVID era.

Finally, we maintain a targeted exposure to China by focusing on domestic companies with sound fundamentals and highly attractive valuations. If until now, the negative news flow on both growth and geopolitics kept hurting equity markets without discrimination, we are convinced that stock selection will prevail again.

[1]Source: Carmignac 30/06/2023. Reference indicator: MSCI AC WORLD NR
Big Tech 7 : Alphabet, Apple, Amazon, Meta, Microsoft, Nvidia and Tesla

Carmignac Investissement

A Fund geared for a changing world

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Carmignac Investissement A EUR Acc

ISIN: FR0010148981

Recommended minimum investment horizon

Lower risk Higher risk

1	2	3	4*	5	6	7

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.