



## Carmignac Patrimoine: Letter from the Fund Manager

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**+4.3%**

Carmignac Patrimoine  
performance

in the 4<sup>th</sup> quarter of 2022  
for the A EUR Share class

**-1.4%**

Reference indicator's  
performance

in the 4<sup>th</sup> quarter of 2022  
for the A EUR Share class

**+3.2%**

Performance of the Fund  
over the semester versus -  
2.2% for the reference  
indicator

Over the period, **Carmignac Patrimoine** recorded a performance of +4.31%, above that of its reference indicator (-1.37%). In 2022, it returned -9.38% vs -10.25% for its reference indicator and ranks first quartile in its Morningstar category\*.

\*EUR Moderate Allocation - Global

### Market environment

As US inflation peaked over the quarter, markets celebrated hopes of a future pivot by central banks, despite hard data pointing to the resilience of the US consumer. Towards the end of the year, the Fed dashed market hopes by putting rate cuts off the table, albeit confirming a slowdown in its pace of tightening. In China, recession risks led the government to lift its zero-covid restrictions, which boosted hopes of a recovery. Despite a correction at the end of the year, this quarter's dynamic supported the performance of risky assets, with credit and equities surging from yearly lows as rate' volatility came down, as well as with major currencies regaining some of their yearly losses against the US Dollar.

## How did we fare in this context?

Carmignac Patrimoine recorded a solid positive performance over the period, thanks to dynamic management of our hedging strategies that allowed us to both fully benefit from the market rebound, but also mitigate the end-of-year market correction. Our contributors to performance can be broken down as followed:

**Equity book (++):** Energy, aircraft manufacturers, luxury, healthcare, and gold

**Equity derivatives (-):** short position on US small cap index (lifted in October)

**Fixed income book (++):** Credit, Russian assets

**Fixed income derivatives (+):** Long duration on US sovereign debt

**FX derivatives (+):** positioning favoring the Euro over the US Dollar

Carmignac Patrimoine successfully leveraged on its flexibility and diversification to generate positive absolute and relative returns over the period.

## Outlook

After a year focused on inflation, all eyes will be on slowing growth in 2023. In the US, a resilient consumer should force the Fed to tighten more for longer, causing a 2H recession. Although warm temperatures and fiscal support allow Europe to avoid a hard recession, the recovery will be shallow due to the European Central Bank entering restrictive territory, fiscal policy becoming a burden, and the external environment becoming more difficult due to unresolved gas issues. China's reopening after years of covid lockdown should support consumption in the service sectors, while the regulatory headwinds of recent years seem to be abating.

Our strategy going into 2023 more than ever relies on diversification and active management. The return of inflation, which should remain structurally higher, means a return of the business cycle. A newly cyclical economy requires both vision and proactive management skills from investors. In such environment, a flexible mixed asset strategy like Carmignac Patrimoine should stand out in the same way it has in 2020, in 2H 2022 or in earlier periods.

We anticipate our performance drivers for next year to be the following:

In equities:

Our view as we enter the first quarter is that equity markets, especially in the US, don't fully price in an earnings recession. This leads us to maintain moderate equity exposure and a focus on companies and sectors best able to withstand an economic slowdown such as healthcare, consumer staples and gold.

Geographically, we favor Europe and China over the US and have added exposure to Japanese banks which we see as benefiting from a steepening yield curve.

We also remain constructive on the energy sector where the structural supply/demand imbalance remains intact.

We balance the portfolio with selective exposure to idiosyncratic opportunities generally overlooked by investors. We anticipate a strong 2023 for Chinese equities, with an end to covid Zero and a better regulatory backdrop. We are also constructive on US industrial companies, poised to benefit from the onshoring trends.

In fixed income:

The credit asset class already reflects growth worries, and well compensates investors for it, leading us to keep a large unhedged allocation to the segment.

Rate markets are in our view too early in pricing a Fed pivot in the coming two years. As a result, short term maturities could suffer. Conversely, at such levels, longer term maturities offer a good buffer against slower growth.

Opportunities have arisen in Japan, where the central bank could operate a reversal of its monetary policy in response to inflation. The yield of our fixed income portfolio revolves around 5.4%.

Finally, our currency exposure favors the Euro to the Dollar; indeed, unlike in the US, European inflation has yet to peak, which should pressure the ECB to tighten more than the Fed and keep rates relatively higher.



# Looking for optimal asset allocation in different market conditions

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## 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.

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