



Carmignac Patrimoine: Letter from the Fund Managers

Author(s)
Rose Ouahba, David Older

Published
April 20, 2023

Leng
4

-0.05%

Carmignac Patrimoine's performance
in the 1st quarter of 2023
for the A EUR Share class

+7.46%

Carmignac Patrimoine's performance
over 3 years for the A EUR
Share class

+12.94%

Carmignac Patrimoine's performance
over 10 years for the A
EUR Share class

*Over the period, **Carmignac Patrimoine** recorded a performance of -0.05%, below that of its reference indicator (+2.75%).*

Market environment during the period

In January, markets were convinced that a soft landing was possible and that the worst might be behind us. This brought core bond yields down, supporting the performance of risky assets. The mood changed in February as strong employment figures and persistently high inflation led markets to raise their estimate for terminal rates. Against this backdrop, sovereign bond yields climbed, and equity markets corrected, except in Europe where growth prospects brightened as gas prices fell. Finally, March saw the appearance of stress within the US banking sector leading to wild swings in markets and violent risk-on and risk-off moves.

How did we fare in this context?

The cautious positioning of the equity portfolio, with average equity exposure of 41% over the period, did not allow the fund to participate in the market rebound. Indeed, in an environment characterized by sharp moves on both the upside and the downside, and yet markets globally posting positive performance, our hedges on Nasdaq, Euro Stoxx 50 and S&P 500 hurt the performance. The relative performance has also been penalized by our preference for quality companies and our underexposure to high valuation stocks in an environment where the level of rates remains high. Non-profitable tech, representative of characteristics we avoided, has seen strong returns so far this year.

However, our active management of the duration of the fixed income portfolio contributed to mitigate the record high volatility of the fixed income markets - government bonds' volatility reached levels last seen during the great financial crisis. Finally, our strategies on EM currencies in Latam and Eastern Europe were a source of alpha.

Outlook

On the macro data front, inflation remains sticky both in the US and Europe. As a result, central banks continue to tighten their monetary policy and the transmission mechanism is showing the first signs of effectiveness. Bank lending conditions have been tightening since mid-22 on the back of rising rates - and this is about to accelerate. The US banking sector crisis will force restructuring of regional banks and a major tightening of lending standards, potentially triggering a credit crunch. Households and companies should be pushed to save more and spend less.

Therefore, our main scenario for the coming months remains that the US will enter recession in H2 2023 – while the probability to see a hard landing has picked up, a soft landing can still occur. In Europe, the willingness of the ECB to bring inflation to 2% sooner rather than later means that a tight monetary policy will continue to be a headwind for growth. Meanwhile, China remains desynchronized from the rest of the world and hence a silver lining of this cloudy outlook.

Such an environment calls for a selective approach to investment and also for an active management of exposures. Indeed, a window of opportunity has opened to invest in both equity and bond markets over the coming months and should be seized. The next sequence of events could see this window close again, as sticky core inflation could delay a Fed pivot, while recession risk looms.

Positioning

Our main performance drivers for the next months are the following:

Within the fixed income portfolio, we have a balanced approach between duration (long position on core rates through real and nominal) and spreads (through a selection of credit and EM debt)

Within the equity portfolio, we have a selection of equities that tend to do well in a recessionary backdrop, alongside interesting growth opportunities in the artificial intelligence and biotechnology sectors. We also have an exposure to Gold, which we see as benefiting from the low real rate backdrop that we anticipate as rates fall while inflation remains above target.

We also have significant Euro exposure as growth and interest rates differentials should favor the old continent

Looking for optimal asset allocation in different market conditions

[Discover the fund page](#)

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.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. 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.

Morningstar Rating™ : © 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. The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. 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, KIDs, NAVs and annual reports are available at www.carmignac.com, or upon request to the Management Company. 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.

In France, Luxembourg, Sweden: The risks, fees and ongoing charges are described in the KID (Key Information Document). The KID must be made available to the subscriber prior to subscription. The subscriber must read the KID. 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, KIDs, NAV and annual reports are available at www.carmignac.com, or upon request to the Management Company.

In the United Kingdom: the Funds' respective prospectuses, KIIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This document was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd. FP Carmignac ICVC (the "Company") is an Investment Company with variable capital incorporated in England and Wales under registered number 839620 and is authorised by the FCA with effect from 4 April 2019 and launched on 15 May 2019. FundRock Partners Limited is the Authorised Corporate Director (the "ACD") of the Company and is authorised and regulated by the FCA. Registered Office: Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY, UK; Registered in England and Wales with number 4162989. Carmignac Gestion Luxembourg SA has been appointed as the Investment Manager and distributor in respect of the Company. Carmignac UK Ltd (Registered in England and Wales with number 14162894) has been appointed as a sub-Investment Manager of the Company and is authorised and regulated by the Financial Conduct Authority with FRN:984288.

In Switzerland: the prospectus, KIDs and annual report are available at 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, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following links: [UK](#); [Switzerland](#); [France](#); [Luxembourg](#); [Sweden](#).