Professionals clients
Marketing communication

CARMIGNAC
INVESTING IN YOUR INTEREST

JANUARY 2024

ANNUAL MEETING
KEY MESSAGES

PERFORMANCE **REVIEW**

FIRST HALF MIXED, SECOND HALF PROMISING

- Our global and emerging equity funds delivered first-rate absolute and relative performances – after a difficult 2022 - thanks to stock selection which explains almost all of the outperformance this year.
- Credit was THE asset class to own. Absolute performance has been highly positive while volatility remained contained.
- All our funds, with one exception, outperformed their indices. This, for the fifth year running.
- 2023 also marks a renewal for the company. Carmignac Patrimoine's new management setup and newly introduced expertise are already beginning to bear fruit.

“Our funds performed well compared to their benchmarks in the second half of the year, despite equity markets buoyed by a handful of stocks and the rollercoaster ride of interest rates.

Kevin Thozet, Portfolio Adviser & Member of the Investment Committee

IN **FOCUS**

“Our investment culture echoes that of private equity.

Maxime Carmignac, Chief Executive Officer and Director of Carmignac UK Ltd.

WRITING A NEW CHAPTER IN OUR HISTORY AS A CONVICTION-BASED INVESTOR

- Since the creation of Carmignac, we have strived to build a tightly focused management offering around a few areas of expertise in which we are able to make the difference.
- Products that complement each other, while also providing portfolio diversification are core to our proposition. This is a key characteristic of private equity. The bridge between listed and non-listed asset is the underlying: i.e. companies. So, it seemed only natural that we should take an interest in the subject.
- Regulation designed to channel French savings into private equity, the right partner, access to the world's best investors - these are the basic catalysts powering the offering we're working on.
- Our ambition is to offer our customers a differentiated and attractive product in the very near future.

OUR MACROECONOMIC **SCENARIO**

2024 WILL SEE GROWTH STABILISE AND A SYNCHRONISED CYCLE OF MONETARY EASING

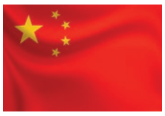
EUROPE

- Two years of economic stagnation have taken their toll on cyclical inflation in the eurozone.
- The ECB is likely to follow its US counterpart closely in the rate-cutting cycle.
- A resumption in growth could emerge in the eurozone, with the household consumption back in the black.

US

- The US monetary policy turnaround should materialise in May-June 2024.This pivot will allow for soft landing in growth.
- However, the landing being incomplete, it therefore carries the risk of renewed inflation.
- The persistently high budget deficit of 6% of GDP also argues for a premature shift in monetary policy.

CHINA



- China remains under pressure from a deflationary spiral, unlike other major economies.
- The People's Bank of China now has more freedom to ease monetary conditions since the FED's accommodative turn in December.
- However, the stimulus is likely to be neutralised by pessimism in the private sector and the real estate slump.

“After the slowdown in 2023, we expect global growth to stabilise in 2024 at 3.2%, with the start of a rebound at the end of the year.

Raphaël Gallardo,
Chief Economist

“After a bearish 2022 and a particularly bullish 2023, a two-stage cycle will occur in 2024. We'll see risk-taking in the first half and the chance of an inflationary upturn in the second.

Frédéric Leroux,
Head of Cross Asset,
Fund Manager

THE FIRST HALF OF THE YEAR SHOULD RESULTS IN POSITIVE MARKET RETURN, WITH DISINFLATION CONTINUING AND KEY INTEREST RATES FALLING - ALL THE MORE SO AS INVESTORS HAVE SO FAR LARGELY FAVOURED MONEY MARKET INSTRUMENTS

- A favourable environment for growth stocks. And a weaker dollar should also benefit emerging equities and commodities.
- In the second half of the year, the approach of the US election and the prospect of an economic recovery, could mark a turning point for inflation. Political and geopolitical uncertainties should encourage greater discrimination between assets: diversify sector and geographic exposure in equities and focus on break-even inflation rather than interest-rate sensitivity in bonds.

CARMIGNAC PATRIMOINE
VIEWS

Our strategy has returned to positive performance after a strong last quarter, and the new management set-up is beginning to bear fruit.

Performance drivers taking shape

Over the year, credit and stock selection were the main contributors to performance. On the other hand, our hedging strategies weighed on performance in strongly bullish markets.

Carmignac Patrimoine will celebrate its 35th anniversary this year. With its top-down approach, the new management team is ready to make the most of the return of the cycle and the opportunities it creates.

- Anticipation of massive monetary policy rate cuts are expected around the world in 2024.
- At the same time, long term rates could continue to rise against a backdrop of growing deficits that need to be financed.
- Credit continues to play a key role in our allocation: the carry of almost 6% of our fixed income holdings makes it an attractive and visible driver of performance.
- The risk of inflation resilience is clearly present in a scenario where the economy does not flatten out, prompting us to consider inflation-indexed instruments.

FIXED INCOME

“ The market is already very optimistic on rates and inflation, and the fixed income manager, by nature more pessimistic, doesn’t like that.

Guillaume Rigeade,
Co-Head of Fixed Income, Fund Manager

EQUITY

“ Our equity convictions focus on companies benefiting from multi-year secular themes such as artificial intelligence and healthcare innovation.

David Older,
Head of Equities, Fund Manager

- The significant market gains of 2023 were primarily achieved by a small number of companies. While we see this group continuing to perform, we see other companies poised to capitalise on these secular themes going forward.
- For example, the influence of artificial intelligence will extend beyond the «Magnificent 7» to companies able to capitalise on revenue opportunities using this technology, such as disrupters in the semiconductor and digital advertising sectors.
- In healthcare, while we remain very constructive on the long-term opportunity for weight loss drugs, we are also focused on other promising revolutions such as the next generation of cancer and Alzheimer’s treatments.
- Finally, we are pursuing some specific opportunities within the consumer and financial sectors.

- Growth in itself is not a source of risk. On the contrary, unanticipated growth is generally a driver of performance.
- What is dangerous, however, are periods when strong past growth is extrapolated, leading to high valuation multiples.
- We prefer long-term growth themes, but the conditions for a broadening of the bull market are present. We are therefore diversifying our equity investments into more cyclical markets, such as emerging markets and some basic materials.

ALLOCATION

“ Sustained growth, falling inflation and relatively abundant liquidity. All in all, a appealing cocktail for risky assets.

Jacques Hirsch,
Fund Manager

THE
DEBATE

CREDIT

Pierre Verlé,
Head of Credit
and co-Head of Fixed Income,
Fund Manager

EMERGING EQUITIES

Xavier Hovasse,
Head of
Emerging Equities,
Fund Manager

How do you manage to achieve excellent performance on credit and emerging markets?

Our flexible approach gives us access to the full spectrum of the credit market and a myriad of performance drivers. This enables us to generate superior risk-adjusted returns in very different market environments.

Our investment process is our compass. Our stock selection and SRI approach have enabled us to achieve significant outperformance, including China, against a backdrop of strong underperformance of emerging markets.

What could derail your strategies? What are the risks to your asset classes?

The sustained rise in the cost of capital is likely to lead to accidents for companies whose capital structures are not viable. The diversification and granularity of the portfolio is the best defence but more importantly those events create opportunities to deliver performance down the line.

Investing in emerging markets requires boldness, discipline and good risk management. In 2024, geopolitical and China risks will weigh heavily on the asset class.
At Carmignac, as you know, we often make the difference in these extreme moments because we quickly hedge our portfolios.

What is your outlook for 2024? What potential do your respective asset classes offer?

Not only does carry remain elevated, but more importantly, the current opportunity set looks very conducive for alpha generation. We will focus on idiosyncratic situations and certain structural themes to navigate and benefit from an inflationary and higher interest rate environment.

We are favouring the winners of the new geopolitical order: Mexico, Brazil and India. And a China rebound should not be ruled out, given valuations are at an all-time low.

MAIN RISKS OF
CARMIGNAC PATRIMOINE

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.

Recommended minimum investment horizon: 3 YEARS

LOWER RISK — HIGHER RISK

1 | 2 | **3*** | 4 | 5 | 6 | 7

SFDR Fund Classification**: ARTICLE 8

**Source: Carmignac, 31/12/2023. SRI from the KID (Key Information Document): scale from 1 (lowest risk) to 7 (highest risk); category-1 risk does not mean a risk-free investment. This indicator may change over time.*
***Sustainable Finance Disclosure Regulation (SFDR) 2019/2088. For more information, please refer to https://eur-lex.europa.eu/eli/reg/2019/2088/oj.*

PERFORMANCES
CARMIGNAC PATRIMOINE - A EUR ACC

CALENDAR PERFORMANCES

	Funds	Reference indicator[1]
2014	**+8.8%**	+16.0%
2015	**+0.7%**	+8.4%
2016	**+3.9%**	+8.1%
2017	**+0.1%**	+1.5%
2018	**-11.3%**	-0.1%
2019	**+10.6%**	+18.2%
2020	**+12.4%**	+5.2%
2021	**-0.9%**	+13.3%
2022	**-9.4%**	+10.3%
2023	**+2.2%**	+7.7%

ANNUALISED PERFORMANCE

	Funds	Reference indicator[1]
3 years	**-2.82%**	+3.10%
5 years	**+2.67%**	+6.38%
10 years	**+1.43%**	+6.49%
Since launch[2]	**+6.5%**	+5.7%

1Reference indicator: 40% MSCI AC WORLD (USD, Reinvested net dividends) + 40% ICE BofA Global Government Index (USD, Coupons reinvested) + 20% ESTER capitalised. Quarterly rebalanced.
2 Since launch: 07/11/1989

Source: Carmignac, 31/12/2023. Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor), where applicable. The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged.

COMPOSITION OF COSTS
CARMIGNAC PATRIMOINE

Code ISIN - FR0010135103

One-off costs upon entry or exit

- **Entry costs:** 4.00 % of the amount you pay in when entering this investment. This is the most you will be charged. Carmignac Gestion doesn't charge any entry fee. The person selling you the product will inform you of the actual charge.
- **Exit costs:** We do not charge an exit fee for this product.

Ongoing costs taken each year

- **Management fees and other administrative or operating costs:** 1.51% of the value of your investment per year. This estimate is based on actual costs over the past year.
- **Transaction costs:** 0.73% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the investments underlying the product. The actual amount varies depending on the quantity we buy and sell.

Ancillary costs deducted under certain conditions

- **Performance fees:** 20.00 % max of the outperformance once performance since the start of the year exceeds that of the reference indicator, even if negative, and if no past underperformance still needs to be offset. The actual amount will vary depending on how well your investment performs. The estimate of aggregated costs above includes the average for the last five years.

DISCLAIMER

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