

CARMIGNAC P. GLOBAL BOND: LETTER FROM THE FUND MANAGER

12/04/2024 | ABDELAK ADJRIOU

+0.05%

Carmignac P. Global Bond performance in Q1 2024 for the A EUR Share class.

-0.46%

Reference indicator's performance in Q1 2024 for the JP Morgan GBI Global (EUR).

+0.51%

Outperformance of the fund during the quarter versus its reference indicator.

Carmignac Portfolio Global Bond has realised a yearly performance of +0.05% (class A shares), and it outperformed its reference indicator¹ (JP Morgan Global Government Bond Index (EUR)), which delivered -0.46%.

THE BOND MARKETS TODAY

The markets in the first months of 2024 have followed a familiar pattern, with growth data once again exceeding expectations. The US GDP for the fourth quarter of 2023 (published early 2024) reached +3.3%, significantly surpassing forecasters' predictions. Strong consumption and a robust labor market have put a stop to the disinflation trend and resulted in higher-than-anticipated inflation in the US. Over the past year, we observed a disinflation trend, with core goods exerting a negative impact on US inflation. However, this year, the core goods component is making a positive contribution, further reinforcing our stance on real rates.

The leading indicators, which contracted in 2023, now indicate a strong performance of the US economy, with both the Manufacturing index and Services rebounding in Q1. Acknowledging this dynamism, the Federal Reserve has adopted a less accommodative stance, indicating that it is premature to consider a rate cut and dampening expectations of an initial easing in March. Consequently, the markets shifted from anticipating 7 rate cuts to expecting 3 interest rate hikes, resulting in an upward movement in yields.

In the Eurozone, although there has been some improvement in activity, it is not as impressive as in the US. Headline inflation fell to +2.4% YoY in March, and producer prices declined more than expected at -1% MoM. However, services inflation has remained stable at 4% for the past three months.

Given these conditions, the possibility of a coordinated interest rate cut between the European Central Bank and the Federal Reserve seems to be diminishing, as the US economy continues to exceed expectations in terms of growth and inflation. Despite maintaining an accommodating stance, the Federal Reserve has been forced to revise its growth forecasts for the upcoming cycle. The latest jobs report also surpassed expectations, with an increase of 275,000 jobs in the month.

Finally, the Bank of Japan has ended its negative interest rate policy by increasing its interest rates from -0.1% to a range of 0%-0.1%.

In emerging markets, there have been numerous central bank meetings, with most adopting a slightly more restrictive tone. While central banks in the Latin American region continue their rate-cutting cycles, their forward guidance has changed somewhat. Many emerging market central banks are reducing the magnitude of their rate cuts or adopting a pause stance. As a result, while local currency debt performance (expressed in euros) has been neutral, foreign currency-denominated emerging market debt has performed well, particularly due to a tightening of spreads by 24 basis points. One notable event during this period was the Central Bank of Egypt increasing the deposit rate to 27.25% (by 600 basis points) and allowing the currency to float, resulting in a devaluation of -38%. Consequently, the IMF increased its aid program to the country from \$3 billion to \$8 billion, accompanied by additional multilateral support from the World Bank and the European Union. This has led to a strong appreciation of Egyptian external debt.

FUND PERFORMANCE

Carmignac P. Global Bond had a flat absolute performance in Q1 2024, but it outperformed its reference index. Our selection of corporate credit securities, including structured credit investments, significantly contributed to this positive performance. However, the developed market countries duration (despite being very low) had a negative impact on the fund's absolute performance, although it still outperformed the reference index.

Additionally, our emerging market debt strategies, particularly in hard currency debt from Egypt, Ecuador, Argentina, and Romania, positively contributed to the fund's performance. The local currency emerging debt positions in Mexico and Poland also made a smaller but positive contribution. However, our currency strategies had a negative impact on performance this quarter, primarily due to our long position in JPY. Conversely, our long positioning on the USD was profitable for the fund.

OUTLOOK

The latest macroeconomic indicators suggest that manufacturing activity has bottomed out in the United States, the eurozone, and China. This reinforces our belief that these economies will not experience a sharp slowdown in the months to come, making a return to the inflation target in the United States unlikely. This positive outlook also supports our optimism regarding commodities, specifically copper and oil, which should benefit emerging market debt and currencies of commodity-producing countries. We have a positive view on the Brazilian real and certain Asian currencies, such as the Korean won, which is expected to benefit from the rise of artificial intelligence. In terms of developed currencies, we are buyers of the Norwegian krone and have increased our exposure to the US dollar due to higher growth and inflation dynamics in the US. We also maintain our buying position on the Japanese yen as the Bank of Japan has started its rate hike cycle and is working to prevent further depreciation of its currency. While we remain long on emerging market debt in hard currency, we are starting to take profits on our best-performing positions since the beginning of the year. On the corporate credit front, we have increased our protections due to expensive credit spreads. Ultimately, central banks in developed countries are expected to begin their rate-cutting cycle, with the ECB likely to make the first cut this summer, while the timing of the Fed's rate cut is less certain. Given these factors, we maintain a cautious approach to the interest rate sensitivity of the fund, which stands at around 3.3 at the end of the month. In summary, our approach is influenced by three main factors: our positive stance on US real rates, our interest in local rates in emerging countries that have high real rates and are starting a rate-cutting cycle (such as Brazil), and our optimism regarding undervalued currencies that benefit from strong economic trends, particularly commodity demand.

Source: Carmignac, Bloomberg, 31/03/2024. Performance of the A EUR Acc share class ISIN Code A EUR Acc: LU0336083497.

¹Reference Indicator: JP Morgan GBI Global (EUR). Past performance is not necessarily indicative of future performance.

The return may increase or decrease as a result of currency fluctuations, for the shares which are not currency-hedged. Performances are net of fees (excluding possible entrance fees charged by the distributor).

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

SFDR - Fund Classification** :

Article **8**



Recommended
minimum
investment horizon



MAIN RISKS OF THE FUND

CREDIT: Credit risk is the risk that the issuer may default. **INTEREST RATE:** Interest rate risk results in a decline in the net asset value in the event of changes in interest rates. **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.

* Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

**The Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 is a European regulation that requires asset managers to classify their funds as either 'Article 8' funds, which promote environmental and social characteristics, 'Article 9' funds, which make sustainable investments with measurable objectives, or 'Article 6' funds, which do not necessarily have a sustainability objective. For more information please refer to <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>.

FEES

Entry costs : 2,00% 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.

Management fees and other administrative or operating costs : 1,20% of the value of your investment per year. This estimate is based on actual costs over the past year.

Performance fees : 20,00% when the share class overperforms the Reference indicator during the performance period. It will be payable also in case the share class has overperformed the reference indicator but had a negative performance. Underperformance is clawed back for 5 years. The actual amount will vary depending on how well your investment performs. The aggregated cost estimation above includes the average over the last 5 years, or since the product creation if it is less than 5 years.

Transaction Cost : 1,36% 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.

ANNUALISED PERFORMANCE (ISIN: LU0336083497)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Portfolio Global Bond	+13.8 %	+3.3 %	+9.5 %	+0.1 %	-3.7 %
Indicateur de référence	+14.6 %	+8.5 %	+4.6 %	-6.2 %	+4.3 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Global Bond	+8.4 %	+4.7 %	+0.1 %	-5.6 %	+3.0 %
Indicateur de référence	+8.0 %	+0.6 %	+0.6 %	-11.8 %	+0.5 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Global Bond	+1.0 %	+1.4 %	+2.6 %
Indicateur de référence	+3.5 %	+1.7 %	+1.6 %

Source: Carmignac at 30 Apr 2024.

Past performance is not necessarily indicative of future performance. Performances are net of fees (excluding possible entrance fees charged by the distributor).

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.

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