

CARMIGNAC PORTFOLIO CLIMATE TRANSITION: LETTER FROM THE FUND MANAGER

23/01/2024 | MICHEL WISKIRSKI

+4.30%

Performance of the Fund in the quarter vs +6.42% for its reference indicator¹ (A EUR Share class).

+1.83%

Performance of the Fund in 2023 vs +18.06% for its reference indicator.

-1.54%

Performance of the Fund over 3 years vs +9.43% for its reference indicator.

*The **Carmignac Portfolio Climate Transition** fund (A EUR Acc share class) appreciated by 4.3% during the last quarter of the year while its reference indicator increased 6.42% over the same period bringing their respective appreciation of 1.83% and 18.06% on the whole year.*

MARKET ENVIRONMENT DURING THE PERIOD

Global equity markets had a positive year, driven by falling inflation and fiscal support for consumers. Recession worries faded as energy prices and inflation subsided, and global supply chains resumed. The last quarter was marked by very strong variations in bond rates, particularly American ones, as well as by the shift of the most important central bankers in recent weeks. After having been particularly resilient, the data on the other side of the Atlantic has started to show some cracks and signs of weakening during the last three months of the year. This obviously had led to a very sharp reversal of the interest rate curves across the globe with notable moves in the treasury market. While briefly surpassing the 5% threshold, nominal rates in the US have rallied by more than 100bps during the course of the last weeks of the year. A softening of the labour market and some subdued readings in the consumer and investment areas of the economy have propelled this unprecedented move. The reduction in nominal rates has also been accompanied by a similar move in long term real rates that have retraced most of their yearly ascent. That reduction in yields has caused other asset classes to react aggressively with a major appreciation of equity indices with the S&P gaining 11% during the quarter to illustrate it. Monetary policy makers who have stuck with the mantra of higher for longer despite the disinflationary trend observed pretty much everywhere have inflected during the last weeks of the year. Acknowledging the improved path of inflation, the US Federal Reserve Chair has opened the room for starting the easing cycle in 2024. That backdrop should allow for a less restrictive monetary headwind in the year to come. It is also an election year for the world's leading nation which as history tells us should also see fiscal policy not being too restrictive either. All that combined with expected healthy economic growth at least in the US shouldn't derail too much the equity valuations at large.

HOW DID WE FARE IN THIS CONTEXT ?

The first part of the year was accompanied by very good performance of US equities, particularly Technology stocks, as evidenced by the performance of some of our holdings like Ansys and Microsoft which have been among our top contributors. The second quarter was also marked by the emergence of a new theme: artificial intelligence (AI) which will undoubtedly impact many sectors and energy transition is expected to reap significant benefits as a result. During 2023, defensive assets such as the utilities have grossly underperformed the broader market. Resilient growth, rising rates and some sector specific issues have led to that poor outcome. In the last few months, renewables and offshore wind projects especially have faced several issues. One major challenge has been delays in project development and construction and more specifically in the US north east coast. These delays have been caused by various factors including logistical challenges, inflation, and supply chain disruptions. Another issue that offshore wind projects have faced is regulatory and permit hurdles. The process of obtaining necessary permits and approvals for offshore wind farms can be lengthy and complex, leading to delays in project timelines. Additionally, offshore wind projects have encountered challenges related to financing. The high upfront costs of developing offshore wind farms coupled with uncertainties surrounding notably US Inflation Reduction Act incentives and subsidies have made it difficult for some projects to progress as initially expected. Overall, the challenges faced in the development and implementation of offshore wind projects in recent months have had a significant impact. This has resulted in a significant derating of assets, such as Orsted and Nextera, with their equity value retreating by 40% and 25% respectively over the year. These setbacks have been among the main detractors of the Fund throughout the year.

OUTLOOK

That being said, we have recently witnessed several positive news in the renewable sector that should help it recover some of its losses and get back on a more constructive re-rating path. To start with, governments have revised higher the price they are willing to pay to get things going in terms of wind developments. Supply chains issues have eased as has inflation in the sector. We also have observed a sharp increase in wind turbine orders coming from US developers which eventually shows the beneficial effects of the Biden's major green tax credits reform. Finally the friendlier rates backdrop should also help those long duration assets perform better in the year to come.

In 2023, the emergence of the AI theme has experienced a significant acceleration on a large scale. While we have only seen for now a few major winners in this major disruption, AI should start to gradually though potentially rapidly infiltrating pretty much every sector of the economy. Even an industrial theme such as the electrification of the economy should grandly benefit from this new technology as gains of productivity should help it be quicker, leaner and more efficient. From grid expansion to deployment of distributed energy or offshore wind developments, every aspect of the "greenification" of the energy system should be able to capitalize on AI in every corner of it from energy system design to consumption pattern optimization.

Speaking of decarbonized sources of energy, we should also observe a growing and spreading rebirth and international revalidation of nuclear energy as we have started to see in the US, Europe, China and even Japan. The complexity of our energy needs and systems require baseload energy at least to some extent. Nuclear energy is the only decarbonized and non-intermittent source of energy therefore governments will have no choice but to re-embrace it to provide electrical backbone reliability in the years to come.

We enter the new year keeping large convictions intact as shown by our largest positions in the utility space be it Nextera Energy, Scottish Power or RWE. We are also keeping large investments in the semiconductor space with names like Taiwan Semiconductor Manufacturing Company or in the industrial segment with leaders such as Waste Management or Schneider Electric amongst our largest positions. Less headwinds from monetary policy and the improved execution pathway for the renewable sector should help our utility holdings outperform while established leaders in technology or multi-industries to name a couple should allow the fund to compound above average return.

¹MSCI ACWI (USD) (Reinvested net dividends).

SFDR - Fund Classification** :

Article **8**



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. **COMMODITIES:** Changes in commodity prices and the volatility of the sector may cause the net asset value to fall. **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 : 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.

Management fees and other administrative or operating costs : 1,80% 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 : 0,32% 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: LU0164455502)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Portfolio Climate Transition	+7.9 %	-16.2 %	+21.7 %	+5.5 %	-17.7 %
Indicateur de référence	-2.2 %	-19.7 %	+41.7 %	+5.1 %	-9.6 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Climate Transition	+14.8 %	+4.5 %	+10.4 %	-15.1 %	+1.8 %
Indicateur de référence	+18.8 %	-11.1 %	+27.5 %	-13.0 %	+18.1 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Climate Transition	+0.9 %	+0.9 %	+0.9 %
Indicateur de référence	+8.5 %	+5.4 %	+4.4 %

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.

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](#).