CARMIGNAC PORTFOLIO GRANDCHILDREN: LETTER FROM THE FUND MANAGERS

23/04/2024 | MARK DENHAM, OBE EJIKEME

+15.46% Performance of the Fund in the 1st quarter 2024 vs +11.33% for its reference indicator[1] (A EUR Share class).	**+23.04%** Performance of the Fund in 2023 vs +19.60% for its reference indicator[1].	**+14.47%** Annualised Performance of the Fund since launch[2] vs +13.83% for its reference indicator[1].

*To begin the year, **Carmignac Portfolio Grandchildren** posted a performance of +15.46%, outperforming its reference indicator (+11.33%).*

MARKET ENVIRONMENT

The beginning of the year was marked by both resilient economic data in the United States and stickier inflation, which led central banks and the markets to expect fewer interest rate cuts in 2024 than at the start of the year. Equity markets welcomed this better-than-expected macroeconomic backdrop, leading the S&P 500 to post its best start to a year since 2019. While equity investors remained focused on the artificial intelligence (AI) theme throughout the first part of the quarter, the bullish momentum then spread to the rest of the equity market, with a broadening of the contributors to performance and the participation of cyclical sectors.

HOW DID WE FARE IN THIS CONTEXT?

This sectoral mix was initially supportive for our fund but created a small headwind in March. Nonetheless, the fund had a strong quarter, thanks to our investments in the Technology and Healthcare sectors.

Within the Technology sector, stocks related to AI performed well. Nvidia, in particular, rose by an impressive 88%. This was driven by the growth in data center spending towards GPUs which was reflected in strong Q4 results report beating and raising expectations. We still like Nvidia, but have trimmed our position after a strong year-to-date performance. Other AI-related stocks like ASML and AMD have also been following this trend, but to a lesser extent. Additionally, high-quality technology companies such as Oracle and SAP posted solid results that rewarded investors.

In the Healthcare sector, Novo Nordisk was the top contributor, rising 27%. This was due to strong sales and profits driven by the demand for their GLP-1 drugs Ozempic and Wegovy. We expect profits to grow by around 30% this year and maintain Novo Nordisk as our largest holding. Eli Lilly also benefited from strong demand for their obesity product Zepbound. However, due to recent outperformance and relatively high valuation, we have significantly reduced our holding into the name. Lonza's performance (+46%) is also noteworthy. The company responded positively to strong financial results and mid-term guidance. The company also acquired a large Roche manufacturing facility enabling them to satisfy strong growth prospects in biologics manufacturing and upgraded mid-term growth to 12-15%.

While it was a strong quarter overall, our consumer names, particularly Puma, lagged behind. Puma's stock fell by 25% and was the biggest stock headwind for us. The company provided a cautious outlook for 2024, citing cautious consumer activity and a challenging economic backdrop. We are concerned about Puma's reliance on the wholesale distribution channel, especially considering the increasing competition from Adidas in that space. Therefore, we sold our entire holding.

OUTLOOK

Our macro overlay framework is pointing to a defensive posture towards equity markets. We believe that the downside risk is greater than the upside potential, as the market has already priced in positive earnings expectations. If these expectations are not met, we may see market declines. Additionally, the recent increase in yields is not supportive, although we expect rates to decrease again in the medium term as economic growth slows and inflation subsides.

Therefore, we believe that high-quality companies with strong sales and profit visibility may outperform the market in this environment. Specifically, we continue to favour the technology and healthcare sectors, as well as defensive stocks in the consumption sector. As mentioned above, we sold Puma and added one stock: Hermès. The luxury goods sector has faced challenges recently, with companies like LVMH expected to experience a normalization of sales growth after a strong period from 2019 to 2023. This negative trend has been highlighted by profit warnings from Burberry and Gucci. Fortunately, we had no exposure to this trend until recently. In January, we saw a decline in Hermès, which we perceived as an opportunity to invest in a company renowned for its desirable and exclusive products, thus possessing significant pricing influence. The company's full-year results confirmed this profile, with double-digit growth and guidance for further price increases. We forecast a 13% sales growth in 2024. Adding Hermes was an exception, as we made few major changes to the portfolio in 2023 or this year so far, after adding several high-quality names during the volatility caused by rising rates in 2022.

Source: Carmignac, Bloomberg, data as of 31/03/2024. Performance of the A EUR Acc share class ISIN code: LU1966631001. Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

[1]Reference indicator: MSCI WORLD (USD, net dividends reinvested). [2]31/05/2019. Past performance is no guarantee of future results. They are net of fees (excluding any entry fees applied by the distributor).

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).

SFDR - Fund Classification** :

Article 9

LOWEST RISK						HIGHEST RISK
1	2	3	4	5*	6	7

Recommended minimum investment horizon **5 YEARS**

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. **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 : 1,70% 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 : 0,26% 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: LU1966631001)

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Grandchildren	**+15.5 %**	**+20.3 %**	**+28.4 %**	**-24.2 %**	**+23.0 %**
Indicateur de référence	+15.5 %	+6.3 %	+31.1 %	-12.8 %	+19.6 %

Annualised Performance	1 Year	3 Years	Since launch
Carmignac Portfolio Grandchildren	**+21.1 %**	**+7.7 %**	**+13.5 %**
Indicateur de référence	+22.2 %	+9.9 %	+12.9 %

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).