

CARMIGNAC PORTFOLIO GRANDE EUROPE: LETTER FROM THE FUND MANAGER

11/10/2023 | MARK DENHAM

-4.44%

Carmignac Portfolio Grande Europe performance in the 3rd quarter of 2023 for the A EUR Acc Share class.

-2.11%

performance in the 3rd quarter of 2023 for the Reference indicator*.

+7.86%

Annualised performance of the Fund since Mark Denham took over** versus +6.87% for the Reference indicator.

During the third quarter of 2023, the return of **Carmignac Portfolio Grande Europe** (A EUR Acc share class) was a fall of 4.44%, providing a return below the reference indicator which fell 2.11%.

MARKET ENVIRONMENT DURING THE PERIOD

Following the strong performance of European equities in the first half of the year, markets fell back in the third quarter. While the second quarter earnings reporting season had been relatively uneventful, and consistent with full year expectations of little profits growth overall, **worldwide pressure on stock prices came once again from ever-rising bond yields**. Despite falling inflation and weak growth in the region, German 10-year bund yields rose from 2.4% to 2.8% in the period, continuing an ascent from zero at the start of 2022. A function of the (European Central Bank) ECB monetary policy which, while it hiked rates to 4% – the highest level since the euro was created – has signalled that the 18-month period of increases has now ended.

PERFORMANCE COMMENTARY / WHAT YOU HAVE DONE IN THIS CONTEXT?

This backdrop proved difficult for the higher rated quality stocks and sectors that we favour, particularly Industrials and Technology, **but supportive for low-rated / low-quality sectors where we have no exposure** such as Commodities, Banks, and Oil. **Being a temporary headwind for our Fund, we believe this dynamic is not sustainable for much longer. In fact, economic growth is weak, and inflation is falling. As a result, we are closer to the end of the hiking cycle.** Furthermore, consensus expectations for a soft landing in 2024 might even be too optimistic when considering latest comments from economically sensitive sectors such as building materials and semiconductors. If this prudence is to be justified, then the more visible sales and profits growth traits of our quality names should increasingly be rewarded.

Nonetheless, in the quarter, some stock specific events disappointed and weighed on returns. Orsted, the wind farm developer, took additional write downs on unprofitable projects in the US due to cost overruns and rising interest costs, among other things. This was extremely surprising and disappointing news for us especially since management, only few weeks earlier at their capital markets day, presented a totally different scenario, with the worst of the problems being behind them. We sold out of our remaining holding on the announcement when the stock fell significantly. Lonza, the contract manufacturer of drugs for the pharmaceutical sector, also provided a negative return for the Fund. While the business has had ongoing operational problems related to delayed start of new projects and some weakness caused by lack of funding for their smaller biotechnology clients, these issues have been well flagged by management and accounted for by investors. However, the surprise announcement in September that the CEO of the company was leaving shocked the market. While we were disappointed with Orsted management, in Lonza's case we believe investors have over reacted, and thus decided to reinforce our position in the name during the period.

But not all is bad news. A mention of honour goes to Novo Nordisk, the drug company at the forefront of the new class of drugs GLP-1 agonists, engaged in a fight to treat diabetes and obesity. As well as continued strong demand for their products, a clinical trial in the period demonstrated a higher-than-expected improvement in cardiovascular outcomes (i.e., fewer strokes and heart attacks) for patients on their weight loss drug. As a result, we maintained a very large position in the name believing analyst forecasts are just scratching the surface of how large the opportunity could be, especially given the widening of insurer and reimbursement coverage expected on the back of the trials' latest results.

Argenx, the Belgian listed biotech, also saw its stock rise significantly after its lead compound efgartigimod demonstrated strong clinical trial results in its second indication, called CIDP, which is a chronic, progressive neurological disorder. As well as widening the therapeutic area the molecule is approved for, the trial confirms the efficacy of the product beyond its first indication, Myasthenia Gravis, thus likely improving the probability of further success in the multitude of related illnesses it is in clinical trials for.

WHAT IS OUR OUTLOOK FOR THE COMING MONTHS?

Having added numerous names to the Fund in 2022, when we picked up many high-quality names sold off in the volatility caused by rising rates, **activity has subsided so far this year. Being bottom-up investors focused on high quality / sustainable businesses, we have a long-term view and expect to benefit from the peak and subsequent fall in interest rates and bond yields, the likely outcome of the current economic environment.** The superior profit growth and visibility of sales and profits of our names, in fact, is likely to be reflected in better performance, especially against an uncertain economic background.

However, we are not reliant on that. We have an investment horizon of 5 years, and we stick to our process of focusing on profitable companies with high returns on capital, reinvesting for growth and having positive outcomes. We believe these companies will continue to deliver the best long-term returns for investors across different market environments.

*Reference indicator: Stoxx Europe 600 (NR, EUR). From 01/01/2013 the reference indicator is calculated net of dividends reinvested. ** Mark Denham took over the Fund on the 17/11/2016.

Source: Company website, Bloomberg, Carmignac, 30 September 2023

SFDR - Fund Classification** :

Article **9**



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. **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 : 0,41% 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: LU0099161993)

Calendar Year Performance (as %)	2014	2015	2016	2017	2018
Carmignac Portfolio Grande Europe	+10.3 %	-1.4 %	+5.1 %	+10.4 %	-9.6 %
Indicateur de référence	+7.2 %	+9.6 %	+1.7 %	+10.6 %	-10.8 %

Calendar Year Performance (as %)	2019	2020	2021	2022	2023
Carmignac Portfolio Grande Europe	+34.8 %	+14.5 %	+21.7 %	-21.1 %	+14.8 %
Indicateur de référence	+26.8 %	-2.0 %	+24.9 %	-10.6 %	+15.8 %

Annualised Performance	3 Years	5 Years	10 Years
Carmignac Portfolio Grande Europe	+3.3 %	+9.4 %	+7.1 %
Indicateur de référence	+7.6 %	+7.9 %	+6.9 %

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).

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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