

# CARMIGNAC PORTFOLIO HUMAN XPERIENCE CELEBRATES ITS THREE-YEAR ANNIVERSARY

17/04/2024

**We believe that companies that provide positive experiences for both their customers and their employees are better positioned to achieve superior returns over the longer term. Driven by these convictions, we have launched Carmignac Portfolio Human Xperience in 2021.**

**Carmignac Portfolio Human Xperience** is a thematic fund that aims to have a positive contribution to society by investing in companies that stand out for their positive customer and employee experiences. ESG is at the heart of this strategy. In particular, we focus on the S dimension through an in-depth data analysis, which allows the Fund to be classified as Article 9 according to the SFDR regulation. To achieve this objective, we have developed our own proprietary database which relies on both external and internal data sources. Thus, it provides a comprehensive and objective view of a company using three different complementary types of data: survey results, company reports, and news flows.

The S segment is traditionally more difficult for investors to capture due to the challenging extraction of data, unlike the E segment, for example, which concentrates the majority of ESG investments. We have therefore **invested significant time and resources into a cutting-edge database to capture these complex data.**

In today's fast changing world, businesses are recognizing the need to prioritize the impact they have on society for the overall success and sustainability of their activity. As consumers become more socially conscious and demand ethical practices from companies, businesses that neglect extra-financial aspects, including the S segment, risk losing out on potential customers and damaging their long-term prospects. During the COVID-19 pandemic (Covid) era, we have witnessed the emergence of new consumption behaviours. The pandemic has amplified contradictory trends. On one hand, consumers and employees have put culture and values at the forefront of their importance list. On the other hand, we have witnessed an acceleration in consumption, particularly through e-commerce, reflecting the need for immediacy at the expense of quality. This is illustrated, for example, by the explosion of the gig economy<sup>1</sup> during the Covid, with a surge in demand accompanied by an increasing consumers' level of requirement for faster delivery times, regardless of the working conditions of companies. At Carmignac, we believe that it is more viable in the long term for a company to **focus on the quality of products and to pay attention to working conditions of employees.**

**Today, two-thirds of the American economy relies on consumption<sup>2</sup>.** Paying special attention to consumers and their habits is therefore essential for good business performance. Indeed, improving the customer experience can increase sales revenues by 2% to 7% and profitability by 1% to 2%<sup>3</sup>. To achieve this objective, it is important for companies to keep their employees committed in order to better meet customer expectations.

**We spend one third of our life at work**<sup>4</sup>. We can therefore affirm that our working conditions, beyond impacting our quality of life, are crucial in terms of employee engagement and involvement. The post-Covid period has also highlighted the importance of well-being at work. Indeed, the phenomenon of the "great resignation"<sup>5</sup> characterized this awareness of the true value of work and accentuated the desire to find meaning in it. Furthermore, it also illustrated the need of better working conditions, such as higher wages and a better consideration of hard works. Companies have therefore implemented measures to retain their talents. But we can also note that companies presenting a positive employee experience are most likely to attract new talents who are likely to stay in the long run. With the new legislation currently underway on the social aspect, it is now observed that human capital is becoming increasingly important.

These key figures demonstrate that **investing in the S segment not only aligns businesses with societal values but also brings numerous benefits**. By prioritizing employee well-being and fostering a positive work culture, businesses can enhance productivity, and attract top talent.

At Carmignac, in order to better understand this social axis and allow investors to access this theme, we have identified and selected relevant data, such as the best practices implemented by companies.

## THE IMPORTANCE OF HUMAN CAPITAL

In recent years, **new regulatory initiatives have been implemented to cover various social issues and protect and empower workers**. The topics of human rights and due diligence in the supply chain have been particularly addressed through various measures. For example, in 2022, a law was enacted in the United States to prevent forced labour of Uighurs<sup>6</sup>. The same year, the European Union proposed to ban products derived from forced labour<sup>7</sup>. In 2017 and 2023, both France<sup>8</sup> and Germany<sup>9</sup> implemented due diligence in the supply chain regarding human rights, child labour, and forced labour. In terms of diversity and inclusion, efforts have also been made at various levels. For instance, in 2023, the EU rules on the gender pay gap were adopted by the European Parliament<sup>10</sup>.

Furthermore, the role of the customer and the employee is crucial in the performance of a company. **The customer plays an important role in generating profits for a company**. That is why emphasizing a positive customer experience is essential. This can be measured through customer satisfaction, but not only that.

Product safety, confidentiality of personal data, and respect for customers by the company are elements that we evaluate. Furthermore, customer loyalty costs less than acquiring new customers. Indeed, as marketing becomes increasingly expensive, a company sets itself apart from the competition by successfully maintaining a strong customer base. A study denotes that the acquisition costs of new customers had risen by 222% between 2014 and 2022<sup>11</sup>.

Regarding employees' experience within a company, we assess their health and safety measures in place, as well as diversity and inclusion. We also evaluate employees' engagement, company culture and leadership based on defined indicators, such as surveys results, news flow and internal data from the company itself. Employees who feel listened to, entrusted with responsibilities, and valued are more likely to exhibit lower absenteeism and lower employee turnover, which supports the profitability of the company. External research demonstrates **the importance of employee engagement and the effect it may have on costs and revenues**. According to the Center for American Progress, replacing a single employee can cost up to 20% of their annual salary<sup>12</sup>. Dale Carnegie, a professional business training company, reports that companies with engaged employees outperform those with lower engagement levels by up to 202%<sup>13</sup>.

## CASE STUDY: WHAT SOCIAL IMPACT FOR COMPANIES IN OUR PORTFOLIO?

Within our **Carmignac Portfolio Human Xperience** fund, we focus on companies that are highly rated in terms of customer and employee experience.

We have a strong conviction in **Hilton**, the American hotel group founded in 1919. This company has several positive S indicators such as human rights and health and safety policies in place, no controversies regarding unethical labour. From a customer standpoint, the group offers for example an award-winning loyalty program with over 150 million members which positioned them as Europe's leading hotel brand in 2022 by the World Travel Awards. Furthermore, they strive to provide innovative ways to engage with clients, such as "digital hospitality," which allows for a personalized experience and improves their customers' experience. From the employee standpoint, it has been recognized as the second best company to work for by Fortune in 2023, and have been the first company in the hospitality industry to offer debt free educational benefits to employees.

**L'Oréal**, the French cosmetics company, is also one of our large convictions. The company has implemented several measures to improve its social impact, such as the L'Oréal fund, which has raised 50 million euros to support 400,000 women worldwide. A solidarity sourcing program has also been implemented to strengthen disadvantaged communities. These efforts have been recognized, with L'Oréal being ranked in the top 5 most gender-balanced companies<sup>14</sup>. L'Oréal emphasizes a social objective of diversity to empower its customers to make sustainable choices. All of these key points in addition to supply chain policies in place demonstrate the efforts undertaken towards being a company focused on both its customers and employees.

**Carmignac Portfolio Human Xperience is a unique strategy that allows our clients to access a theme that we believe is often overlooked by investors, even though it is becoming increasingly important. Through a differentiated approach, we aim to provide our clients with the financial potential of companies that focus on a positive customer experience, as well as employee satisfaction.**

## KEY MESSAGES

The S segment is traditionally more difficult for investors to capture due to the challenging extraction of data, unlike the E segment, for example, which concentrates the majority of ESG investments. At Carmignac, **we have therefore invested significant time and resources into a cutting-edge database to capture these complex data across our Carmignac Portfolio Human Xperience fund.**

Investing in the S segment not only aligns businesses with societal values but also brings numerous benefits. **By prioritizing employee well-being and fostering a positive work culture, businesses can enhance productivity, and attract top talent.**

The role of the customer and the employee is crucial in the performance of a company. The **customer plays an important role in generating profits** for a company – through its loyalty for example – while the **employee engagement has an impact on costs and revenues.**

<sup>1</sup>The gig economy is a labour market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs.

<sup>2</sup>Source: The White House, "As the U.S. Consumer Goes, So Goes the U.S. Economy" (2023).

<sup>3</sup>Source: "Prediction: The future of Customer Experience", McKinsey (2022).

<sup>4</sup>Source: Gettysburg College, « One Third of Your Life is Spent at Work: The average person will spend 90,000 hours at work over a lifetime » (2020).

<sup>5</sup>The "Great Resignation" is a phenomenon born in United States early 2021 following the COVID-19 pandemic. It describes a high rate of resignation in US amid strong labour demand and low unemployment.

<sup>6</sup>Act Public Law 117-78, December 2021.

<sup>7</sup>Text proposed by the EU commission in 2022.

<sup>8</sup>French law n°2017-399, March 2017.

<sup>9</sup>German law, January 2023.

<sup>10</sup>EU Directive 2023/970 of the European Parliament and of the Council, May 2023.

<sup>11</sup>Source: "Press Release - Brands Losing a Record \$29 for Each New Customer Acquired", SimplicityDX (2022).

<sup>12</sup>Source: There are Significant Business Costs to Replacing Employees, Center for American Progress (2012).

<sup>13</sup>Source: Are Your Employees Motivated, Dale Carnegie (2019).

<sup>14</sup>Source: Equileap 2019 ranking.

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. **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.

**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.**

\* \*\*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 :** 0,26% 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.

**Marketing Communication. Please refer to the KID/KIID/prospectus of the Fund before making any final investment decisions.**

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Investors have access to a summary of their rights in English at section 6 of "regulatory information page" on the following link:

[https://www.carmignac.com/en\\_US](https://www.carmignac.com/en_US).

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