

# CARMIGNAC PORTFOLIO PATRIMOINE EUROPE: LETTER FROM THE FUND MANAGERS

15/10/2024 | MARK DENHAM, MARIE-ANNE ALLIER

**+2.38%**

Carmignac Portfolio Patrimoine Europe's performance in the 3<sup>rd</sup> quarter of 2024 for the A EUR Share class.

**+2.75%**

Reference indicator's performance in the 3<sup>rd</sup> quarter of 2024.

**+8.01%**

Year-to-date performance vs +6.08% for the reference indicator.

Over the third quarter, **Carmignac Portfolio Patrimoine Europe** achieved a positive return of +2.38%, although it slightly underperformed its reference indicator, which posted a gain of +2.75%. This resulted in a year-to-date performance of +8.01% for the fund, compared to +6.08% for the reference indicator<sup>1</sup>.

## EUROPEAN MARKETS REVIEW

The third quarter of 2024 concluded with **positive returns despite several episodes of market volatility**. In early August, stocks took a hit due to weaker U.S. economic data, an interest rate hike from the Bank of Japan, and thin summer liquidity. However, the much-anticipated commencement of the **Federal Reserve's (Fed) rate-cutting cycle** in September, along with a less aggressive stance from **Japanese policymakers** and **new stimulus measures in China**, alleviated investor concerns and fuelled a strong stock market rally towards the end of the quarter. This stock price upturn was led by economically sensitive cyclical stocks, anticipating future recovery. In **Europe**, the European Central Bank (ECB) implemented its second rate cut, but central bankers face a dilemma: resilient euro-area inflation contrasts with a worsening economic outlook.

In more detail, as the market leadership was taken up by cyclical sectors, previously strong areas of the market, notably Healthcare and Technology lagged. Mirroring the trends in the equity markets, the credit markets have reaped the rewards of high carry and low spreads. Amid a backdrop of relatively optimistic risky assets, **the sovereign markets were significantly more pessimistic about the economic trajectory**, resulting in a sharp decline in rates over the quarter.

## HOW DID WE FARE IN THIS CONTEXT?

The fund continued to maintain its momentum, delivering a **positive performance over the period with less volatility compared to the market.**

The end of July and the beginning of **August was a period that truly tested the resilience of our fund** amidst a whirlwind of market volatility. During this period, equity markets, including the Stoxx 600, experienced a sharp decline, plummeting by 6% in just three days while Japanese equities lost nearly 20%. However, our fund demonstrated notable resilience, **limiting its decline to a mere 1.3%**. This performance was the result of strategic positioning. One of the **key contributors was our volatility calls**. On August 5, 2024, the VIX, often referred to as the "fear gauge," saw its largest intraday spike ever recorded. We had been holding these options for a while, anticipating that the low implied volatility in equities presented an attractive opportunity in the event of market turbulence. Additionally, our **puts on equity indices** played a crucial role in reducing our exposure to the falling equity markets. These tactical hedges further mitigated the impact of the market downturn on our fund.

But the story doesn't end there. As the markets began to rebound, **our fund was well-positioned to capitalize on the recovery**. Our **effective stock picking** allowed us to seize opportunities and drive performance. Moreover, our **exposure to commodities, particularly gold**, served as a robust performance driver during this period. Gold, often seen as a safe-haven asset, provided stability and growth amidst the market's fluctuations and tensions in the Middle East. Finally, our **cautious positioning on interest rates**, characterized by a low modified duration, limited our ability to fully capitalize on the decline in interest rates in Europe. However, **our bond selection in the high yield and structured credit sectors contributed to the Fund's performance.**

## OUTLOOK

The **European economy continues to be sluggish**, and we anticipate weak but steady growth through year-end. The austerity measures enforced by Brussels in response to budgetary excesses, especially in Italy and France, are likely to hinder economic growth. Additionally, the ongoing situation in the Middle East could impact commodity prices, thereby influencing inflation rates across Europe. However, it is evident that in the coming months, market attention—even in Europe—will be primarily focused on the situation in the United States. We believe that while **US growth is decelerating, it is not falling off a cliff**. Rapid disinflation is enabling the Fed to maintain the economy's soft landing through consecutive rate cuts.

In this scenario, **we remain constructive on equities** with exposure around 30%. Indeed, in a scenario of gradual economic slowdown and global monetary easing, risky assets should continue to perform well as long as we don't have a recession. However, similarly to the third quarter, we anticipate increased market volatility. The main risks to equities include overly optimistic corporate earnings expectations and uncertainties related to the US elections, which justify **maintaining partial hedges**. Regarding interest rates, **we maintain a low overall modified duration as markets already reflect a negative outlook on growth.**

To strengthen our overall portfolio construction, **we have implemented several diversification strategies**. As mentioned, we have hedged part of our equity market exposure via **puts options** on major equity indexes as well as call options on volatility. We have also allocated around **5% of our portfolio to commodities** through ETCs on gold, silver, and copper. Our long-term view is that inflation will be higher on average over the next decade compared to the 2010s. To address this, we have invested in **inflation products**, particularly inflation swaps. These instruments help protect the portfolio against unexpected inflation spikes and potential geopolitical tensions.

Source: Carmignac, Bloomberg, data as of 30/09/2024. Performance of the A EUR Acc share class ISIN code: LU1744628287. Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. <sup>1</sup>Reference Indicator: 40% STOXX Europe 600 (Reinvested Net Dividends) + 40% ICE BofA All Maturity All Euro Government + 20% ESTER capitalized. Quarterly Rebalanced. Until 31/12/2021, the reference indicator was 50% STOXX Europe 600, 50% BofA Merrill Lynch All Maturity All Euro Government Index. The performances are presented using the chaining method. **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).**

## CARMIGNAC PORTFOLIO PATRIMOINE EUROPE A EUR ACC

(ISIN: LU1744628287)

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. **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. **CREDIT:** Credit risk is the risk that the issuer may default.

**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 :** 0,67% 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.

## PERFORMANCE (ISIN: LU1744628287)

Calendar Year Performance (as %)	2018	2019	2020	2021	2022	2023
<b>Carmignac Portfolio Patrimoine Europe</b>	<b>-4.8 %</b>	<b>+18.7 %</b>	<b>+13.9 %</b>	<b>+9.5 %</b>	<b>-12.7 %</b>	<b>+2.1 %</b>
Indicateur de référence	-4.8 %	+16.4 %	+2.4 %	+10.2 %	-11.0 %	+9.5 %

Annualised Performance	3 Years	5 Years	Since launch
<b>Carmignac Portfolio Patrimoine Europe</b>	<b>+1.6 %</b>	<b>+4.0 %</b>	<b>+4.3 %</b>
Indicateur de référence	+1.1 %	+3.1 %	+3.6 %

Source: Carmignac at 31 Oct 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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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.

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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](http://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](http://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](http://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](http://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.

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