CARMIGNAC P. GRANDE EUROPE: THE FUND MANAGER'S THOUGHT

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During the third quarter of 2020, Carmignac Portfolio Grande Europe (A share class) returned +5.42%, beating its reference indicator*, which rose by +0.64%.

Markets During Q3 2020

After the very strong market recovery in the previous quarter, Q3 was a more subdued period of consolidation in Europe, with the equity market plateauing and bound within a tight range. Ongoing declines in Covid infection rates at the start of the period had already been anticipated, as had final EU government approval of the €750bn EU Recovery Plan.

> **"Even the lower than expected fall in Q2 company profits reported in July failed to drive markets higher."**

As the summer progressed, rising Covid infection rates across Europe understandably suppressed the market. In September, the US Federal Reserve exercised restraint over increasing the level of its quantitative easing, causing growing concern in global markets over the lack of political agreement in relation to the US fiscal stimulus package.

Despite the stability of markets during the period, **there was considerable variation among sector returns**, with many economically sensitive areas such as Autos, Retail and Chemicals performing relatively well in anticipation of a recovery.

Within the Fund, **our economically sensitive exposure is primarily in the Industrial sector**, which also performed relatively well, rising 13% on aggregate. Many of our holdings in fact enjoyed the support assured by the Recovery fund and the EU Green Deal, including **Kingspan** (insulation) +35% share price increase, **Sika** (building materials) +22%, and **Vestas** (wind turbines) +53%*. Consequently, this sector was the largest contributor to our outperformance in the quarter. In contrast, Financials continued its poor performance, falling-6% in the period as it bore the cost of the economic impact of Covid added to the manifold headwinds of the sector itself. Therefore, **the Fund's low exposure to Financials proved to be of significant benefit**. The only pure Banking player we hold is Bankinter, a Spanish bank which we progressively reduced in recent months following our concerns around provisioning guidance in Q4.

Our investment process held up well earlier in the year and, encouragingly, continued to perform in the third quarter despite the cyclical market tilt described above. **Technology names** SAP (+7%) and Adyen (electronic payments, +22%) **continued to gain value, as did** our largest Consumer holding **Puma** (sportswear, +12%). To add a bit of colour, the first two aforementioned were able to sustain stable secular growth throughout the crisis, whereas the latter demonstrated a boost in trading in June.

During the second quarter, we added four positions to the Fund as we felt valuations had fallen to attractive levels in line with our 3-5year time horizon. Although these names increased the Fund's sensitivity to an economic recovery from Covid, performances were varied over the period. Stock prices remained flat for catering company Compass and airline software leader Amadeus, while Informa fell 20% as expectations of a recovery in their exhibitions activity in the second half of 2020 were slashed. In contrast, **the fourth name AMS** (semiconductors) **recorded a stock price increase of +47%**. This company had a strong second quarter with sales growing 13% despite Covid, as their optical semiconductor and sensors penetrate more Android system handset manufacturers. In addition, their recently acquired automotive and industrial lighting company (Osram) upgraded full year guidance as the decline in automotive business is set to be less severe than anticipated.

The worst performing stock in the Fund was our biotech position **Galapagos**, falling 34% share price decrease. This slump followed the surprising decision from the US Food and Drug Administration (FDA) to not grant approval for their leading oral pill for Rheumatoid Arthritis, filgotinib. As a result, the company will have to run additional studies likely to delay approval by 2 years. Fortunately, prior to this event the stock had been a strong performer reaching high valuation prompting us to almost entirely sell down our holding. Therefore, we only had a c0.3% exposure to it during its dramatic fall.

Activity in the Fund was much more modest than earlier in the year. We sold our remaining small holdings in Legrand (electricals)- favouring instead Schneider in this sector- as well as Galapagos. **We also added luxury goods company LVMH** following supportive signs from its resilient trading in China and the recovery of the US market.

The broad structure of the portfolio is unchanged and remains centred on our bottom-up stock picking process, with a focus on profitable companies with high return on capital.

Discover the Fund's webpage:

Carmignac Portfolio Grande Europe

	2016	2017	2018	2019	2020	2021 (YTD)
Carmignac Portfolio Grande Europe A EUR Acc	+5.11 %	+10.36 %	-9.56 %	+34.79 %	+14.46 %	-0.06 %
Reference Indicator	+1.73 %	+10.58 %	-10.77 %	+26.82 %	-1.99 %	+1.67 %

	3 years	5 years	10 years
Carmignac Portfolio Grande Europe A EUR Acc	+13.96 %	+12.89 %	+7.94 %
Reference Indicator	+6.99 %	+7.86 %	+6.79 %

Source : Carmignac at 30/04/2021

*Source: Carmignac, 30/09/2020. Mark Denham joined Carmignac in mid-September 2016 as Head of European Equities, Fund Manager. Performance Indicator : Stoxx Europe 600 (NR, EUR). Performance of the A EUR acc share class. **Past performance is not necessarily indicative of future performance. The return may increase or decrease as a result of currency fluctuations. Performances are net of fees (excluding possible entrance fees charged by the distributor).**

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Carmignac Portfolio Grande Europe

Lower risk Higher risk
Potentially lower return Potentially higher return

Recommended minimum investment horizon

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in risks of the Fund

UITY: The Fund may be affected by stock price variations, the scale of which is dependent on external ors, stock trading volumes or market capitalization.

RRENCY: 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 KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change

CARMIGNAC RISK MANAGERS

over time. A EUR Acc share class ISIN code: LU0099161993