



Carmignac Patrimoine: The advantages of investing across the capital structure

Published

November 12, 2020

Length

🕒 3 minute(s) read

In the end, it all comes down to where we think the risk/reward profile is best for us

Rose Ouahba and David Older, Fund Managers of Carmignac Patrimoine

Asset allocation funds are a turn-key solution for clients looking for diversification, with investments in different asset classes.

Clients expect such funds to have a balanced allocation between equities and bonds, with cash as the adjustment variable. This typically leads them to consider these types of funds as two separate investment pockets. This is particularly tempting when two Funds managers with two distinct market expertise manage the Fund.

However, an asset allocation fund can really stand out if the Fund managers think of the portfolio construction as a whole, and leverage on each other's perspective with an unconstrained approach.

How our diversification process stand out from others?

Since they manage the Fund together, Rose Ouahba and David Older have spent a lot of time thinking about how the different components of the Fund could fit together from a risk perspective and how they can make the most of the various performance drivers at their disposal. In this regard, close contact between the equity and fixed income teams is essential.

Optimizing the asset allocation and risk management

In the midst of the Covid crisis, we were seeing huge dislocations in the credit market and naturally wanted to hedge our exposure. We used credit derivatives, but to be even more agile, part of Beta of the credit book was hedged by calibrating some short positions on European equity indexes. Indeed, they have a strong correlation to credit in down markets, are highly liquid and easy to implement.

Investing across the capital structure at the bottom-up level



In order to gradually increase the cyclicity of Carmignac Patrimoine, a new thematic emerged in April/May with future beneficiaries of the reopening of economies. From this point of view, the indiscriminate sell-off of the travel industry has created some attractive entry points on some issuers. Nevertheless, such companies are not necessarily attractive in terms of both equity and debt.



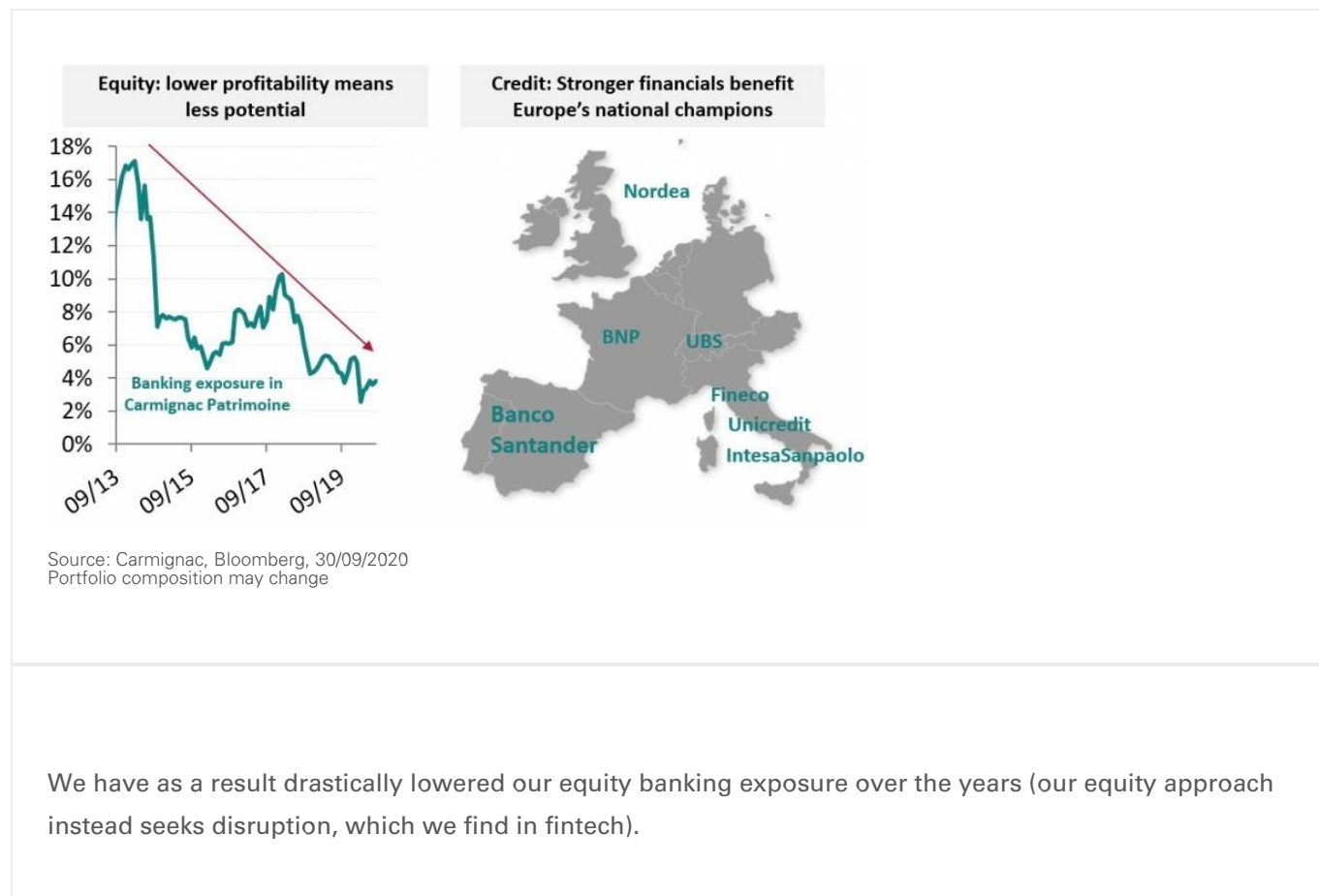
Source: Carmignac, Bloomberg, 30/09/2020. Portfolio composition may change

However, their high tangible assets (namely planes) act as collateral for the cash they're raising, making our credit team confident about their ability to refinance themselves and reimburse their debt over the mid-term. On the equity side, we have a preference for asset-light companies like the leading Spanish travel ticketing software platform.

Optimizing the sector allocation across the capital



Years of financial repression have kept interest rates at extremely low levels, substantially denting on banks' profitability. In the meantime, tighter regulation has forced these institutions to increase their core tier 1 ratio (key measure of a bank's financial strength that has been adopted as part of the Basel III Accord on bank regulation), effectively making them more resilient to systemic risks.



Source: Carmignac, Bloomberg, 30/09/2020. Portfolio composition may change

Conversely, we have invested in subordinated debt of firmly rooted banking players in Europe (so-called national champions), inferring that fiscal and monetary support would continue.



Since the beginning of the year, Carmignac Patrimoine A EUR share class posted +7.8% vs +2.6% for the reference indicator¹. It beats 96% of its peers² since the beginning of the year.

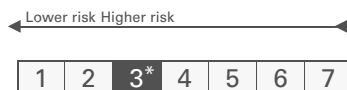
[Discover the fund page](#)

¹ 50% MSCI ACWI (USD) (Reinvested net dividends) + 50% Citigroup WGBI All Maturities (EUR). Quarterly rebalanced. ² EAA Fund EUR Moderate Allocation Source: Carmignac, Bloomberg, 04/11/2020. 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, for the shares which are not currency-hedged. Performances are net of fees (excluding possible entrance fees charged by the distributor). © 2020 Morningstar, Inc. All Rights Reserved. The information contained herein: is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Carmignac Patrimoine E EUR Acc

ISIN: FR0010306142

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.

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

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.

This document is intended for professional clients. **This is an advertising document.** This document may not be reproduced, in whole or in part, without prior authorisation from the management company. This document does not constitute a subscription offer, nor does it constitute investment advice. The French investment funds (fonds commun de placement or FCP) are common funds in contractual form (FCP) conforming to the UCITS Directive under French law. Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The reference to a ranking or prize, is no guarantee of the future results of the UCIS or the manager. The portfolios of Carmignac funds may change without previous notice. Access to the Fund may be subject to restrictions with regard to certain persons or countries. The Fund is not registered in North America, in South America, in Asia nor is it registered in Japan. The Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Fund has not been registered under the US Securities Act of 1933. The Fund may not be offered or sold, directly or indirectly, for the benefit or on behalf of a "U.S. person", according to the definition of the US Regulation S and/or FATCA. The Fund presents a risk of loss of capital. The risks and fees are described in the KIID (Key Investor Information Document). The Fund's prospectus, KIIDs and annual reports are available at www.carmignac.com, or upon request to the Management Company. The KIID must be made available to the subscriber prior to subscription. - In Switzerland, the Fund's respective prospectuses, KIIDs and annual reports are available at 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, Paris, succursale de Nyon/Suisse, Route de Signy 35, 1260 Nyon. - In the United Kingdom, the Funds' respective prospectuses, KIIDs and annual reports are available at 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 material was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013).