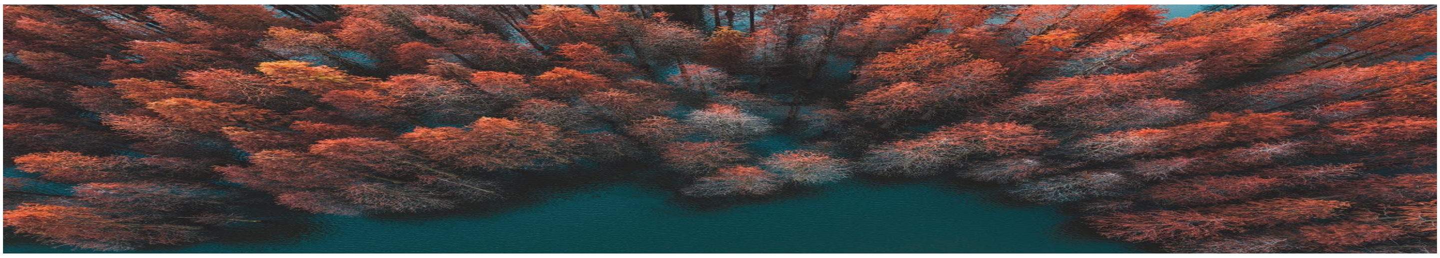
QUARTERLY REPORT

24.04.2023



Carmignac Portfolio Grandchildren: Letter from the Fund Managers

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+12.10%

Carmignac Portfolio Grandchildren's performance

in the 1st quarter of 2023
for the A EUR Share class

+5.83%

Reference indicator[1] 's performance

in the 1st quarter of 2023

+51.59%

Performance of the Fund since inception (31/05/2019)

vs +48.56% for the reference indicator

In the first quarter of 2023, ***Carmignac P. Grandchildren*** *rise by +12.10%, while its reference indicator[1] was up +5.83%.*

Markets review

Global equity markets began the year in the same vein as they ended the previous period, with continued optimism that headline inflation will continue to ease thereby reducing the need for central banks such as the Fed and ECB to increase rates much further. This mood was strengthened by growing belief that recession can be avoided owing to a strong US consumer and falling energy prices worldwide. The market rally was initially led by technology and consumer discretionary stocks, as well as other cyclical sectors like steel, autos and hotels. However, the rally was temporarily halted by the collapse of Silicon Valley Bank in March which precipitated fears over the financial sector generally. The impact of rising interest rates was evidently starting to feed through to the economy, which catalysed a recovery in many less economically sensitive stocks, for instance in the healthcare sector, and bond yields fell dramatically anticipating the weakening economic outlook.

Quarterly performance review

Our Fund, which focuses exclusively on high quality, visible, secular growth stocks is particularly well placed for this environment.

Information technology comprises 26% of our fund and was the largest contributor to our performance in the quarter. The best individual holding was Nvidia, rising a stellar 86% after full year results confirmed that the company is over the inventory correction and guidance implied an inflecting trajectory in demand in datacenter and gaming chips. Furthermore, the stock is the name most likely to benefit from the explosion in demand caused by progress in artificial intelligence (AI) through ChatGPT, as the number of graphics chips (GPUs) required will accelerate dramatically. After such a run we trimmed the position as we think the theme has become a little speculative but will re-increase on any significant pullback. Microsoft is also seen as a beneficiary of AI as ChatGPT is set to be embedded in many of their products, and its stock rose a more modest but respectable 18% accordingly. Palo Alto, the security software name, also rose 41% as demand for their suite of products continues growing in the mid 20%'s unhindered by any macroeconomic impact, and management guided for more of the same.

Healthcare represents 30% of the portfolio, albeit spread across a wide variety of sub sector including pharmaceuticals, medical devices, and life science equipment providers, and it also made a significant contribution in the period. The best performer here was Align technologies, the leading name in so-called clear aligners, which are taking share from wire braces for teeth straightening, which rose 55%. The stock had a torrid time last year as demand slowed due to a more cautious consumer, and by the year end volumes of aligners sales fell high single digit percentage in the final quarter. However the catalyst for the stock jump was management comments that they had seen the worst of the declines with growth in aligners shipped ready for first quarter sales. We used the large initial spike in the stock to cut our position materially. Management comments are encouraging but there is still a lot of uncertainty as to the impact of rising interest rates on consumer confidence and therefore demand. Eli Lilly is a name we increased in the quarter to make the stock one of our largest holdings. Together with another held name, Novo Nordisk, Lilly dominates the fast-growing market of GLP-1 drugs for treating diabetes and obesity. We see this as a trend likely to last for decades and used inexplicable weakness in Lilly which fell 8% in the quarter (in contrast to Novo which rose 16%) to materially increase our holding.

Elsewhere we benefited from having no exposure to the energy sector, which fell as the commodity price continued to ease, or to large financials in the bank and insurance sectors which were adversely affected by the well-publicised collapse of several US banks and the take-over of Credit Suisse by UBS. These sectors do not meet our stringent criteria of dependable superior profitability, so we do not believe they are capable of delivering or sustaining the best returns over the long time periods that our fund invests over. In addition, as concern over the economic environment is set to increase owing to higher interest rates, investor demand for these economically sensitive areas is likely to wane.

Outlook

Trading in the quarter was modest but we have used the macro-economic overlay, which is in intrinsic part of our process, to continue to de-emphasise cyclicality and increase defensive or less economically sensitive stocks. This is owing to the increasing uncertainty over economic activity into second half 2023. As well as increasing Eli Lilly we continue to add to staples P&G and Colgate, medical device maker Resmed and contract drug manufacturer Lonza, while trimming technology names, especially the more highly rated software names like ServiceNow and Salesforce.

Our focus remains on identifying and owning the profitable companies with high return on capital companies we believe have the best prospects for a 5 year or longer time horizon and holding stocks over this time.

Source: Carmignac, Bloomberg, data as of 30/03/2023. Performance of the A EUR Acc share class. Risk Scale from the KID (Key Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time. [1] Reference Indicator: MSCI WORLD (USD, dividend reinvested)

Carmignac Portfolio Grandchildren

A global, high-conviction equity fund for long-term investors

Discover the fund page

Carmignac Portfolio Grandchildren A EUR Acc

ISIN: LU1966631001

Recommended minimum investment horizon

Lower risk Higher risk

1	2	3	4	5*	6	7

Main risk 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.